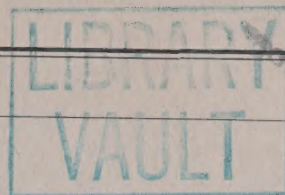


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Vol 28



ALBERTA
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THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF EDMONTON AND CALGARY

DR. G. FRED McNALLY,
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G. M. BLACKSTOCK, Esq., Q.C.

PERCY G. DAVIES, Esq., Q.C.

IVAN C. ROBISON, Esq.

CHARLES P. HAYES, Esq.

DR. H. B. MAYO
(Consulting Economist)

Wm. McGRUTHER, Esq.
(Commission Secretary)

PROCEEDINGS

DATE 15th February, 1955

VOLUME 28

The Court House

EDMONTON - ALBERTA

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VOLUME 28

February 15, 1955

EXHIBITS

<u>No.</u>	<u>Description</u>	<u>Filed at</u>
168E	Summary of Outstanding debentures as of Dec 31st, 1954	3454
168E	City of Edmonton Summary of out- standing Debentures as at December 31st, 1951 and as at December 31, 1954 entered as part of Exhibit 168E	3513

THE SITTINGS OF THE ROYAL
COMMISSION ON METROPOLITAN
DEVELOPMENT OF CALGARY AND
EDMONTON, held at the Court
House, Edmonton, Alberta,
on Tuesday, the 15th day of
February, A.D. 1955, at
9:45 a.m.

JOHN HODGSON, having been recalled to the Stand on his former oath, was examined by Mr. Brownlee and testified as follows:

Q MR. BROWNLEE: Mr. Chairman, Mr. Hodgson, we had been discussing, yesterday afternoon, this dormitory problem and I had intended asking you next if you agreed that Jasper Place has been, for some time, a dormitory for Edmonton?

A Oh, I think so.

Q And in the same way that it might be said that Strathcona Municipality is imposing a burden on Edmonton so it might be said that Edmonton is imposing a similar burden on Jasper Place.

A I think that would follow to what ever extent is involved.

Q Right, and in that manner there might be quite an accumulation of a burden on Jasper, imposed on Jasper Place over the years.

A H'mm-h'mm.

Q Can you tell me, sir, from your experience, whether Edmonton has ever recognized this burden that it was imposing on Jasper Place?

A No.

Q Has it ever been considered as a matter for discussion in the Council?

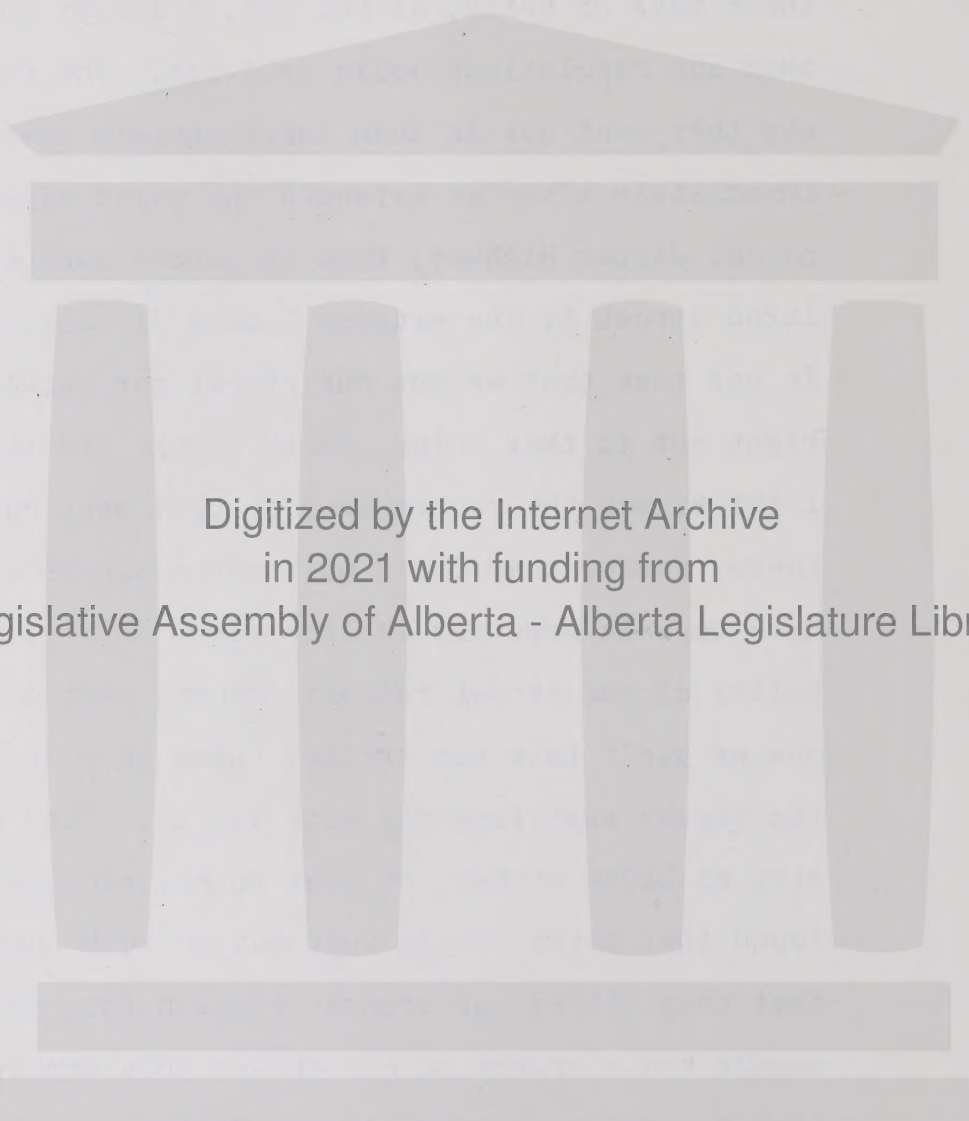
The following is the list of the names of the persons who have been named in the report of the committee on the subject of the proposed amendment to the constitution of the United States, as passed by the House of Representatives on the 1st of March, 1868.

1. Mr. [Name], having been named in the report of the committee on the subject of the proposed amendment to the constitution of the United States, as passed by the House of Representatives on the 1st of March, 1868.
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9. Mr. [Name], having been named in the report of the committee on the subject of the proposed amendment to the constitution of the United States, as passed by the House of Representatives on the 1st of March, 1868.
10. Mr. [Name], having been named in the report of the committee on the subject of the proposed amendment to the constitution of the United States, as passed by the House of Representatives on the 1st of March, 1868.

A No, we considered it in the way that they were hoist on their own petard because they were our people and they went out there, I presume, I don't know the reasons, probably to get cheaper taxes in those days or build, as you say, a lesser house than our regulations would call for. The reason why they went out in such large numbers came after, immediately after we extended the paved highway on the Jasper Highway, that is Second Avenue, from 142nd Street to the extreme limits of 149th Street. It was then that we put our street car service right out to that point, Forty-Ninth, and that, I think, was the reason many of them went out there, rather than first walk seven blocks than have to walk more and we afterwards made it the policy of our street railway transit system that now we don't take our trolley buses less than two blocks away from the City limits. They now stop at 147th Street, at that point, because we found that these people went out in such numbers that they filled our transit buses before our people had a chance to get on and they simply sailed right past them, loaded full.

Q Now --

A -- In fact we took the viewpoint, I suppose, they went out there of their own volition and we could not have, certainly weren't in a financial position to help them. If they hadn't gone out there and built they would have built in the City and we would have got their taxes then, even though we would have



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A (Cont'd) to provide education.

Q In other words then the City felt no responsibility for those people?

A It was never expressed that way, no.

Q Well, that was probably the fact.

A I would say so.

Q Yes.

Now, do we have this situation, in Edmonton, do we have Edmonton educating children of parents who are employed in the oil and gas industry elsewhere than in the City or in Strathcona, in other words, out in the oilfield?

A Now, Mr. Ross Shepherd could answer that better than I because they have an agreement that if anybody outside is educated that they pay so much per annum and if their parents were in the country they wouldn't belong to our Municipality.

Q Yes. Mr. Harries has directed my attention to a list of companies, whose employees, it appears reside, reside in Edmonton. Now, I am taking for example Hughes Tool Service Limited, the employees will live in Edmonton but they are constantly employed on jobs --

A In the country.

Q Out in the --

A Fields.

Q Oilfield.

A There must be a lot of those.

Q Yes. So that Edmonton is probably educating the children of workers who are employed outside of the

It is not possible
to know the exact
date of the

Q (Cont'd) City?

A They could be to some extent, bound to be in an industry like the oil industry.

Q And in fact it is probably the usual thing in the oil industry?

A I would think so.

Q Well, then, do you feel that if the City has a claim on the industrial area of Strathcona, because of the educational burden we have discussed, that the City also has a claim on the oil industry generally because of the educational burden which has been imposed in part --

A Wouldn't it be rather hard to define that? Whereas yours, Jasper Place, Beverly, they are all recognized limits of the District, we can get exactly what it amounts to --

Q Well --

A People intermittently in and out, it would be a rather far fetched to try and evaluate it, wouldn't it?

Q Yes, that is the point, is there a claim which you might have but which you cannot define and you cannot --

A Possibly.

Q -- find the people on whom it should be made.

A Yes, but you can get a headache from trying to individualize all this kind of thing. Our point of view is that we want to eradicate the whole thing and make it one so that we won't, don't have this in and out bookkeeping, I owe you ten cents, you owe me ten cents, what is the balance? We say: let us

A (Cont'd) cut it all out and have one district.

Q Quite. Aren't you arriving at the situation where you are attempting to recover a burden from the one source that you can locate, namely Strathcona, whereas you cannot recover it from the other parts of the industry that have helped create it and in that sense are you not discriminating?

A I wouldn't think so. I wouldn't want to approach Imperial Oil or Gulf or Texaco and say, now, there is one or two of your people going out in the country occasionally, that would be altogether too impossible to handle.

Q Well, why not, why would it be?

A Because sometimes they are out for six months and maybe in for six months, they may be out for a month and may be in for a month --

Q All right, will you agree with this, that for whatever reason it is, whether it is a matter of difficult bookkeeping --

A H'mm-h'mm.

Q Or any other reason that to the extent that you are asking to have the industrial assessment to help you solve your school problems that you are taking from one of the contributors to the problem where you are not taking from other contributors to the problem.

A Well, that is only one reason why we want amalgamation.

Q Just specifically that is a factor, is it not, sir?

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A It has been mentioned and therefore it is a factor to some extent --

Q All right, sir --

A I suppose education is the largest single factor.

Q Yes?

A And costs.

Q What I am, I still don't know whether you have answered my question specifically. I think it is reasonable to say this: that as you are trying to recover part of your school costs from one unit that is contributing to the problem, mainly Strathcona's industry, but, as you are not recovering from the other contributors to the problem, namely some of the other oil and gas concerns, you are only going after one of the many contributors to the school problem.

A Yes, but we are going to the source of the matter --

Q The answer is yes --

A -- rather than going to the infinitude of little problems of chasing individual companies, I think that would be impossible. What we are proposing is a clean cut arrangement whereby we take over everything and pay for everything. It is the only means that we can see that we can get justice for the children of Jasper Place, Beverly and other places.

Q Yes, but you gave a yes answer to my question and you are now elaborating but you did answer yes to my question.

A I could say nothing else but go to what small extent it was, it was there, I think.

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Q Well, the point is this, sir, that in your Brief, on page 10, you point to the fact that there are a thousand and twenty, 1,020 school age children from Strathcona.

A H'mm-h'mm.

Q At the top of the page you point out that there are 1,926 school age children.

A Under school age.

Q I beg your pardon.

A 1,350 is the number of school age.

Q I am sorry, 1,350.

A Yes.

Q In other words approximately a thousand from Strathcona and another three hundred odd from other places.

A H'mm-h'mm.

Q So that you are, in effect, going to the contributor with respect to a thousand and twenty children but you are not going to the contributor with respect to the other three hundred odd.

A I don't think it was put in with that intention.

Q I am sorry, the other thirteen hundred.

A Yes, when the Mayor asked me to make it up he said the Commission stated they heard a good deal about the impact of oil but nothing definite has been given to them. On page 10 I tried to give just a few examples and that is all, you can regard that as one but to our mind it is a small part of the whole problem.

Q Well --

A We don't want to elaborate too, ad infinitum on it.

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Q Well, the big problem is debt, is it?

A Debt and education, in fact everything that makes a City.

Q Sir, one last question, Mr. Harries has handed me a book entitled "Canadian Municipal Government" by Crawford and it is published in 1954 by the Toronto University Press or the University of Toronto Press and there is a passage I would like to read to you and ask you if you agree with it.

"The local taxing authorities are in between two millstones, the upper one consists of a top limit of a burden of taxation which it is feasible to impose ^{up-} on the tax payers and still leave them intact financially and leave their representatives intact politically.

The position of the nether stone is progressively raised as the amount of the total municipal expenditure which is imposed by provincial policies and by uncontrollable special purpose bodies increases, thus the play between the two is continuously reduced and the capacity of the taxing authority, council, to provide the services demanded by the public is narrowed. Caught as they are in this squeeze, councils are driven to continuous appeals to the provinces for financial assistance or additional sources of revenue."

A H'mm-h'mm.

Q Do you agree with that, sir?

A It sets forth admirably, in the last sentence, the

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A (Cont'd) whole thing, municipalities are, everyone knows that municipalities are always appealing to the creators of the province and it is because our tax base is so restricted and it is particularly restricted in our case by industry going outside our tax area, that is our big trouble. Every city in Canada, why, there isn't a conference of the Alberta Municipalities Convention or the big one that I used to be a member of, the Municipal Finance Officers of Canada and America. Not only here but in America the cities are all after the States to broaden their revenue and source of revenue that they derive. Take the States, take the state of Pennsylvania, they have now passed a law because Philadelphia got special permission to impose a local income tax and the local income tax was imposed for this reason: many people in all great American cities, as you know, New York particularly, they don't live in the city, it is too crowded, they live outside and now the whole state of Pennsylvania, every municipality is allowed to put an income tax. We are not, it has been suggested here, Edmonton had an income tax at one time which was described as a nuisance tax. All governments, all municipal governments go to the province for more help, that is understood. Even without this problem, even before it happened in '46, Edmonton with all the other cities was going to the government every year for more help because they say your revenue sources are unlimited, you have got direct taxation,

- A (Cont'd) we are limited to real estate so they are always going for more revenue but our situation has been very much amplified, by reason of the fact that from now on industry is not going to come into our boundaries and we won't have to -- of course, Edmonton is a district which is the abiding place of all these works and all these people and whether you like it or not when they speak of coming to your place they say we are coming to Edmonton, they have told me repeatedly.
- Q Thank you, sir. I said that was the last question, I omitted two other questions. In 1951, or we will say as far back as 1951, did you then feel that annexation of an area such as this should take place?
- A So much so that we even discussed it with the government. I am sure that would be four years ago, this is only six weeks off, I would say it was in 1951, certainly. At that time we certainly discussed it and what brought the discussion was Jasper Place. Council had given no official thing like they did, to ask in the inclusion of Fiftieth Street. That wasn't officially done by Council but it was discussed with the Commissioners on the Mayor level.
- Q What was your own opinion of the Gertler Report in 1951?
- A The Gertler Report in 1951, I don't know that I read that. Was that the one that went to the School Board?
- Q Yes.
- A Yes, I , I can't, I just remember it vaguely, probably

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- A (Cont'd) I have read parts of it but I wasn't given it to make a complete study of it. I have the idea in mind that he was of the opinion that it should be spread over most places, was he not, to help out the underprivileged youngsters in places where the tax source was so limited.
- Q Do you feel that the capital debt of Edmonton will be greater or less in 1956?
- A I have stated in my report that it will exceed one hundred million dollars by that time, it is right in the report.
- Q If there is annexation, as proposed, will it be greater?
- A Bound to be. I can see your point there if we annex all these districts, certainly our debt is still going to go up because we would have to promise to bring up the standards of both Beverly and Jasper Place particularly, which were mentioned here often, to the standards of Edmonton in all respects and it will take an estimated 750 thousand a year for the operation of it. Certainly there will be more capitalization but that will present no fears to me, if I were still with the City, if I had a tax base to work on of the additional tax base to work on of the giant industries that you have in this 8000 acre space.
- Q Well --
- A It would more than compensate for that.
- Q Well, will it more than compensate, you say now that \$750,000.00 a year --

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A Yes.

Q Do you know what the tax revenue is likely to be from that?

A Yes, I have, possibly, if you will reckon, in some, it was proposed to be twenty, well, you have got 41 million for your whole district, it was estimated, I think, by our assessors, probably on the records here, that it will increase our assessment by 20 million, or in that neighbourhood. Well, 20 million at 53 mills, we hope to get it down, it is too high, will be a million and 60 thousand but this is the point where there is no fears for me if it is amalgamated. You mention in the Brief that last year alone you had 25 million more industry coming to this area.

Q Yes --

A And you had even two million more in the first month of '55. I reckon that it is going to increase there all the time --

Q Yes.

A And it will increase in sufficient volume that it will more than take care of any additional capital charges.

Q But that is an assumption. You have mentioned now that you reckon now that the City could take over a million dollars from industry and I am suggesting to you that that is more than twice the amount of taxes which is considered will be levied from industry in 1954 by the municipality.

A No, I have not gone into the figure, I will have to

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A (Cont'd) refer you to Mr. Moffat because he uses the figure of 750 thousand without any mention whatever of the additional costs to be incurred in giving life --

Q We are talking about different things, sir, excuse me.

A Oh.

Q You said that tax which you estimate the City could take from industry, as it is now, would be over a million dollars.

A Roughly a million dollars.

Q I say to you that the taxes that Strathcona could take from that industry is of the nature of 450,000.

A Oh, I wouldn't think it was that low in proportion.

Q Well --

A Even though your tax base is different.

Q Well, those are figures, sir, taken from the actual calculations of the municipality.

A I would like to doubt them myself.

Q Well, we will just produce them for you, sir.

MR. DAVIES: Mr. Brownlee, is that at 25 mills?

MR. BROWNLEE: Yes.

MR. DAVIES: That is possibly where the confusion is with Ex-Commissioner Hodgson.

A Mr. Commissioner, 25 mills on their basis of taxation is surely not much less than ours at 53 when you consider that we can only take 60% under the City's Act of the improvements and that some of these plants, I have read in the evidence, go as high as 60 and 70%

A (Cont'd) machinery which we can tax so I don't think there is going to be ^{the} / disparity that he speaks of, 450 against a million, I would say perhaps 900,000 as against a million but I wouldn't care to go any higher without going into the calculations.

MR. MOFFAT: The other thing that should be put in in relation to this is that it depends on what year you are talking about. If you are talking about the assessment roll for 1953 you get one result and if you are talking about the assessment roll for 1955 you get the other result. I think that is the basic difference between the two.

MR. HARRIES: There is no assessment roll for 1955 that we are aware of.

A Not yet there won't be, we haven't one either yet, they will be out in the next month.

MR. BROWNLEE: Thank you very much Mr. Hodgson.

A A pleasure, sir.

MR. GARSIDE EXAMINES THE WITNESS:

A Mr. Chairman, you asked for certain information of Mr. Hodgson as to the debenture debt, who held it and so forth and we have prepared a memorandum here which I would like Mr. Hodgson to identify and to mark as an exhibit.

Mr. Hodgson, you were asked to prepare information as to the places where the City debentures were held.

A Yes.

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Q You have prepared that statement?

A Yes, that is right, this morning.

Q This is the statement?

A Yes, this is it.

Q Would you just read out the main items, please?

A I was asked yesterday, Mr. Chairman and gentlemen, to give you the distribution of the debt of Edmonton and while we used the figure of roughly 80 million it is now 79 million, 78997 and we owe the Dominion of Canada on general account \$76,000.00 only but, we owe the Province of Alberta roughly 28 and a half million, we owe our own employees' pension fund 3,483,000 and the general public 29 million, 8 hundred and 34, that is a total of 61890. Now, under the Public Schools the Province of Alberta have loaned them 3 million 5 hundred and 33 and the general public have subscribed to their issues to 9 million 6 hundred and 30, a subtotal of 13 million. The Separate School Board, in like manner, have been loaned 1 million, 4 hundred and 36, four hundred by the Province and they owe the general public 2506970 and the grand total of 78 million, 9 hundred and 97.

THE CHAIRMAN: Are you going to enter that as an exhibit, Mr. Garside? 168 E.

168 E, A SUMMARY OF OUT-
STANDING DEBENTURES AS OF
DECEMBER 31st, 1954, AS
ENTERED AND PUT IN.

Mr. Garside, will you identify it please, as
Statement of Debenture Debt --

Page 5 of 1

1. 1995-01-01
2. 1995-01-01

R-16
J. Hodgson - Garside Ex.

- 3455 -

MR. GARSIDE: It is a Summary ^{of Outstanding} Debentures as at
December 31st, 1954.

THE CHAIRMAN: Thank you.

MR. GARSIDE: I will have them mimeographed, sir.

THE CHAIRMAN: Thank you.

MR. MOFFAT: Mr. Chairman, this might be a convenient time to enter another exhibit.

THE CHAIRMAN: Yes.

MR. MOFFAT: The Capital Estimates which were presented to Council last night. We have copies available here and they should be entered on the record and available for all who are interested.

THE CHAIRMAN: Is that just the Capital Estimates, they haven't been subjected to Council's scrutiny?

MR. MOFFAT: They were submitted to the Council last night, Council will be holding a meeting within the next week and approve or make what changes they see fit. It is adjourned to Thursday for consideration, whatever --

MR. ROBISON: Then, I am sorry, I didn't catch what you said at the beginning. Is it the proposed Budget?

MR. MOFFAT: The capital estimates part of the Budget for --

MR. ROBISON: It is not been confirmed, I take it.

MR. MOFFAT: It was presented to the Council last night and discussion was adjourned until Thursday.

MR. DAVIES: Is this what the Commissioners are recommending should be spent or is it just a summation of the estimates by individual departments.

- 3456 -

MR. GARSIDE: This represents the actual submission by the Commissioners after discussion with departments.

MR. ROBISON: I would think the thing to do with that would be to hold it until Council has taken action on it and put both the recommendation of the Commissioners and the action of the Councilmen at the same time.

MR. MOFFAT: Well, as you wish. We have been asked to make it available to the Strathcona people as quickly as possible, that is the reason we bring it here this morning. Whether it is filed now or whether you wait, sir, is a matter of little difference, as long as everyone is aware that copies are available I think that is the main point.

THE CHAIRMAN: I remember hearing, Mr. Moffat, that the recommendations made to Council in another City, in which we are interested, were 17 and a half millions and when they came back after the application, in the interval, they were down to 13 million and something. Now, it doesn't seem to me that consideration of the raw recommendations or presentations would be as valuable to this Commission as the statement after it has received the attention of Council and been approved. That is just my view.

A You could have that by Friday, I would say, sir, I happen to know, sir, because I call in there quite often --

Q Yes.

A -- but the original presentation of the heads of Departments was 24 million 750 thousand, roughly.

Q And the amount was, it was 23 something that was presented last night, is that right?

A Well, Mr. Chairman, it is governed to a tremendous extent after the Mayor sees the Premier and the Cabinet as to what ^{is} the maximum amount they can allocate to either Calgary or Edmonton for any particular year and then really you have got to cut your cloth accordingly. While the government may give us, say, 13 million this year I have no doubt whatever that from our own resources, that is the reserve funds of the utilities and sale of tax sale land and things like that that there probably will be another 5 million dollars provided.

THE CHAIRMAN: Quite so, Mr. Hodgson, the point that is concerning me at the moment is which is the more valuable statement. Shall we receive them both or shall we wait until we get the --

A Net figure.

THE CHAIRMAN: The net figure of the Council?

A I think that would be preferable, sir.

THE CHAIRMAN: Yes, then, have you anything else to say, Mr. Moffat.

MR. MOFFAT: No, I have not, sir, except to give notice to everybody that these documents are available, whether they are entered or not doesn't matter.

THE CHAIRMAN: Yes, you make them available to Strathcona or anybody you like. Of course, we might request that on the Friday or whatever day this becomes a firm figure, that we might expect then to make this presentation, have this report

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See page 100 in the

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THE CHAIRMAN: (Cont'd) filed and entered as an exhibit.

MR. MOFFAT: Yes.

THE CHAIRMAN: Is that agreeable to you?

MR. MOFFAT: That will be quite satisfactory.

THE CHAIRMAN: Yes, that seems a more --

MR. HARRIES: Pardon me, sir, in connection with the exhibit of Outstanding Debentures as of December the 31st, 1954, I thought it might be useful to have a statement of the Outstanding Debentures as of December the 31st, 1951 to show the change during the last three years.

A With the same breakdown, sir?

MR. HARRIES: Yes, unless, if, I thought it might be useful to the Commission, if the Commission thinks so it will be probably available without very much trouble.

MR. MOFFAT: Your suggestion is the same breakdown, same figures as those. I don't think there will be much difficulty in getting that, we will get that as soon as we can.

THE CHAIRMAN: Very well, we will be glad to have those for comparison purposes.

A Yes, I will get them.

THE CHAIRMAN: Now, may I enquire if there are any questions, any further questions on the part of those of you who are representatives of these varied interests or shall I -- Mr. Garside?

MR. GARSIDE: Mr. Chairman, yesterday I had intended to ask Mr. Hodgson about certain parts of the Municipality of Strathcona's Brief where they

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MR. CHAIRMAN:

MR. GARSIDE: (Cont'd) particularly refer to Mr. Hodgson's Brief but I unfortunately left the copy in my office and I haven't got the notes. I would like to ask him a few questions, sir, concerning the statements in this Brief about --

THE CHAIRMAN: Right now?

MR. GARSIDE: No, later on.

THE CHAIRMAN: Well, I don't, why not now?

MR. GARSIDE: Very good.

THE CHAIRMAN: If you are going to refer to the matter then, the Commission have questions and I think we would like to have it all together.

MR. GARSIDE: Mr. Hodgson, I am showing you a copy of a brief which is filed, I think, as Exhibit Number 155 E and is the Municipal District of Strathcona Brief, dated January the 3rd, 1955. I refer you to page 27 and I will read a portion of what it says here. It starts, it is the last, beginning of the last paragraph on the page.

"Again, while the debenture debt and annual expenditures are high, they have been made high in order to provide assets and benefits to be enjoyed by people of the City for many years. They are therefore to be compared somewhat to increased borrowings by a commercial corporation to undertake a new and favourable field of business. In his statement already filed Mr. Hodgson admits this argument. In one place he says that the cause of high expenditure is 'having to do so much work at the present

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MR. GARSIDE: " 'time which will benefit citizens living here in the next two or three generations.' In another place he says that 'it is the cost of these items which constitute such an onerous burden upon the present generation of taxpayers although undoubtedly they constitute in large part valuable assets which will be of benefit and service to the citizens of Edmonton for decades to come.' In still another place he says 'the impact as it applies to individuals in the community can be nothing but favourable, as it has increased the distribution of wealth, provided thousands of jobs, built many homes, warehouses and other commercial improvements.' If Mr. Hodgson is right about the impact of oil development upon the individuals in the community, then one can hardly be alarmed about a growing debenture debt in so far as that becomes an argument in support of increased boundaries, particularly when he shows that the expenditures are to a degree controllable. If the City chooses to maintain the high standard of community living, then it can hardly make its high spending areason for encroaching upon its neighbour's territory."

I would like you to comment upon what I have just read.

A I would like to say in the first case, Mr. Chairman and gentlemen, that I don't think the analogy between, compared to increased borrowing by a commercial corporation to undertake a new and

- 3461 -

A (Cont'd) favourable field of business, that might be true only for the smaller part of our borrowing. 16 million, 800 thousand, which is the present debt of the utilities, because they do make a profit and it is used to reduce the taxes with. But what about the great amount, more than, almost four times that amount that has been spent on roadways, sewers and bridges and all the things that go to make a city? There is no return on those, returns must be paid from the taxes that is levied against the people concerned. When you build a bridge over the river it is paid for by everybody but when you build an extension to the Electric Light Department that is no part of the taxes, they put it on the light bill and you pay every month.

I have always made a great distinction whenever I spoke to service clubs and others about the difference of the impact upon individuals and upon municipalities. I did that at the luncheon which the Chamber of Commerce gave me when I retired and it has all been very vivid in my mind because it has brought, it has made this City one of the eight or nine cities of Canada, it has brought many people here and has brought, the oil industry pays good wages but I am only speaking here of the terrible impact upon our Municipal economy. The two are entirely disassociated, while it may be true, as your Brief, I think, says that everybody is earning good wages and therefore you can pay more taxes, but, gentlemen, the amount of taxes that we levy

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A (Cont'd) each year is governed under the Cities Act, it is not an amount of money which is needed to operate all the various departments and debt services and school boards and those things and while the, some little leeway from reserves it is not to a tremendous extent, it is only put in our Budget in a very minor matter.

I would like to make a great distinction between the Municipal Debt and Municipal Costs and the impact upon individuals in our midst. It is quite true that like every other city in Canada we have been prosperous for the last 15 years, due to the influences, outside some of them, the war and other ones. Of course, the direct impact of oil/^{but it} has made a tremendous difference in our municipal picture because as I say before, perhaps in another place, when you lay out a city with a deliberate intention of providing, not only for the present people but for those who will come within the next 20, 30, 40 or 50 years because you must realize that when you build a trunk sewer I would say it was good for a minimum of 75 to 100 years, but unfortunately you can't build it a one hundredth part at a time, you have got to put the whole thing in and pay for it from the next year of the issue of debentures and that is what has got it -- when a city grows normally, as ours did, you can nearly always reckon that there is as much debt almost going out as there is coming on because even now at this present stage, sir, we

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A (Cont'd) are paying about, I would say that we would be redeeming our debt to the extent of three million a year but it is not much good redeeming your debt for three million if you add thirteen you're
/ ten million further in debt at the year end, and that would be the same case at the end of next year.

Now, the impact on the City, as I have tried to point out, was almost in inverse ratio to the impact on ordinary people. They made, it gave our merchants more business, gave the Journal more circulation, it gave everybody more things and having, I found this when I was going through this hectic period that there is nothing so costly as growing too quickly and I have made the further statement that if we get much more of this prosperity we are going to be ruined, it has come so thick and fast on us, in fact it got so bad at one time that I was, it got so bad when you get into fifty-one and two that I was inclined, in my mind to change Anno Domini from the birth of Christ to the discovery of oil because things happened here then that never happened before and they are still happening and our population, it will be of great interest, I wish we had our figure for the new population in April, we cannot get it until April, but I have been hoping, I didn't tell the Chamber of Commerce so, that we would have a respite for a year or so so that we could catch up. It never happens, we are increasing more rapidly now than ever before, 14,425 last year, 14,210 the year before and only

- 3464 -

- A (Cont'd) 11,000 the year before that. I can only hope it isn't 15 or 16 this time because it is going to result in very great anxieties to the municipal government.
- Q Going back, to particularly the last part of the -- if the City chooses to maintain a high standard of community living then it can hardly make its high spending a reason for encroaching on its neighbour's territory. What do you say specifically about that?
- A I don't quite know what is meant by the high standard. Have we a higher standard than other cities in Canada? It has been mentioned here that the School Board, that they built expensive buildings but anybody is entitled to one error and I had, I never reproached the School Board after the first time about the excessive cost of the high school because they haven't repeated it and I went to Mr. Turner about all the various things that they mentioned here like chesterfield suites, swimming pools and gymnasias. Well, gymnasias is part of the curriculum required under the curriculum as physical culture. I don't understand this here where he says that expenditures are to a degree controllable. Wages you must understand, are the largest part of running any city and are wages controllable, sir?

After I left the firemen went to the Board of Arbitration, I kept them down to a 3% increase the year before and told them quite definitely that is the last they were ever going to get because we had now gone far ahead of the cost

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A (Cont'd) of living but they went before an independent board and they got 10% increase and now that it is compulsory arbitration I am quite sure that they are going to go every year, they say there is no harm in trying and when you, to that extent labour unions, and they have been able to point up, till the last year or two the increased cost of living but labour, in the last 15 years, sir, has got into this stage that they say we are now addicted, we are now given the yearly increase, no matter what happens, whether the cost of living goes down or up. Take the great Ford strike, the cost of living is stationary for the last year, it doesn't range within one point. It doesn't say we are not going to ask for a higher standard of living. When you get into a city of 200,000 people it is surprising the things they ask for that they never asked for when the City was a village or town, or small city, they want now garbage collected twice a week that used to be collected once a fortnight, sometimes not that, they want every sidewalk in the city sanded, they want the streets all swept. It didn't use to cost us ten thousand a year to remove the snow and now it costs us between 100 and 200 thousand, all these things come and it seems to be ^{the} modern thing, after all everybody enjoys more things than they did 50 years ago, they all got radios and now I suppose the civic employees want to buy television and want more money for it, it is just a vicious

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A (Cont'd) circle but when you say "controllable" I don't think there is much control, for instance, the main point I mentioned yesterday, can I control the demand of the School Board, \$6,000,000.00? No, not under present legislation; I don't say that I want to, the only thing that I object to there is that these two different bodies spend one persons money. I don't think it is right and the experience of the world says so too.

MR. ROBISON: Mr. Garside, just at this point, I would like to go on the record, in the right place, I think. In Calgary we had evidence that the uncontrollable expenditures, I have forgotten the exact figure, Mr. Hodgson, but it was over 60%, what would you think --

A I would quite believe it, sir.

MR. ROBISON: What would it be here? Your own uncontrollable expenditures for Edmonton?

A Well --

MR. ROBISON: Just approximately.

A Out of 18,000,600 last year let us take the very, from memory there was about \$6,000,000.00, five million, 985 for the two School Boards and there was nearly five million for debenture charges, they are uncontrollable because you borrowed the money in good faith and you pay it back. There are probably uncontrollable expenditures under the Welfare Act and we must, I think, take care of the people who have not been able to take care

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A (Cont'd) of themselves and I wouldn't, I couldn't state so officially but I would say it, I would be very surprised if our figure was not fully equal to Calgary's, sir, 60%.

MR. ROBISON: Thank you.

A It used to be, I think, more than that at one time.

MR. GARSIDE: Now, what I would like to get, as clear as I could, is the phrase here "-- a reason for encroaching upon its neighbour's territory" and the reason I ask you that particularly is this, it seems to be a sort of a struggle for the refinery industry in the Strathcona Municipal District. Now, what is your view as to those refining industry plants with relation to the City of Edmonton? In whose territory are they, in your view?

A I think that at the present moment, technically and legally they are in the area of the Municipal District of Strathcona, a rural riding, but I say that, by any standards, that they are really part of the Edmonton environment and should be actually under our assessment laws. As I told you, when you go to look at them they got their name there, Edmonton Works, Edmonton Plant, when I go to see them they say I am going to Edmonton to visit our plant there, it is out in Scona, I think, as I said yesterday that it belongs to Edmonton and they say here it is our high spending that is the reason for encroaching upon their neighbour's territory, I really say that they have encroached upon our natural rights, in a very vague sense, because they have done nothing of the kind, they have done

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A everything
(Cont'd) legal and above board, they are hoping to make a great empire out there and I am sure they are going to succeed because all industry from now on predominantly, will go into that area. Then, how much did Edmonton get last year in the way of new things from outside against their \$25,000,000.00 that they are, Mr. Adamson said that they had, were starting there or thinking of starting last year? It is far bigger than ours and there will be, while they have got 225 million there now I am quite sure before very long they will have 450 million there. It will be the richest district in Canada.

Q What would you say then as to the, from your point of view, that the City would be doing, or that, I wouldn't say the City, but what would be done in connection with this, these industries? They would be integrated into a larger area which is part of one social and economic unit?

A Very much so. I am quite sure that everybody in that 8000 acres does spend a great deal of their time, especially their own time, in the City of Edmonton, enjoying **certain** facilities and amenities which the City provides.

Q Now, I notice here that you have got one portion marked, in relation to the Town Planning body, this is page 45 and it refers to the Edmonton District Planning Commission, it is paragraph (e) at the bottom of the page and it says: "Each municipality

Q (Cont'd) "should have the right of appeal from any decision of the Commission to the Board of Public Utility Commissioners for the Province of Alberta." Now, you have told us that you believe in a very strong District Planning Commission. What have you to say as to the question of appeal and to whom that appeal should be made?

A I have every, under this ruling, this suggestion here, I am all in favour of it but what I did not like was that Scona and Sturgeon were allowed to leave something which had been set up to protect a larger area and that by leaving it voluntarily as they were able to, they only being an advisory body, that they could wreck the planning of a whole Provincial Department that says you shall go this far and no farther with industry, you shall have this part for housing and for a park and all those things but when they say here that this is, if they are, if they are willing to abide by the decision as binding of the Public Utility Commissioners I would have no objection whatsoever. I have had a great experience, sir, with the Public Utilities Commissioners and I take off my hat to it, I am always willing to accept their verdict. It is always fair, they give ^{good} reason for all that they do and I would be prepared to accept something like that provided all these people all around the, our boundaries were prepared to accept a final judgment.

Q That, in your opinion would also include the City of Edmonton?

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A It certainly would, it certainly would. The City of Edmonton has been included financially, thank goodness for a great many years and I only wish the powers sometimes were even greater to veto certain things like they vetoed the ^{first} proposal about the auditorium which we were in no position to build.

THE CHAIRMAN: Mr. Hayes, have you any questions you would like to ask Mr. Hodgson?

MR. HAYES: I have these few things but I thought they would possibly come out in some other examination.

THE CHAIRMAN: Well, perhaps you would indicate whom you would like to have lead this discussion.

MR. HAYES: Well, I thought our legal brains.

THE CHAIRMAN: I see, very well, he wants you people who are highly trained in asking questions, Mr. Blackstock, so perhaps you will begin.

I will get somebody soon, Mr. Davies.

MR. DAVIES QUESTIONS THE WITNESS:

Q I wonder, Mr. Hodgson, would you turn to page 3 of your Brief?

A Yes.

Q In respect of that table, the second table indicating a list of the, how the total debt was made up?

A Yes.

Q The third column says local improvements.

A The second ^{first} column, generally is first local improvements, property share I should have put on there second.

Q Oh, that is --

A It is all property share but the City's share, we would have to take care where two streets meet, an intersection

A (Cont'd) that goes into our general debt but more and more we are putting the greater part of that charge against the property itself.

Q Well, this column entitled Local Improvements will ultimately all be recovered by the City?

A It goes out in the, as a special item in the tax notice as particularly applying to that particular house. I might say that the cost, that the local improvements now, by going into a new district and literally hewing it out come to, I would say a minimum of about \$60.00 per year, whereas in the old days, as you know very well from your long experience here, many people waited a long time to get certain improvements but these people, by reason of the raw state of the land, they have to have the minimum of gravelled lanes and roads and sidewalks, all these things to start with or they can't get into their homes and that is why it has risen by 1,663%.

Q Well, I am just wondering if this money, or it is money that the City will have repaid to it by the property owners shouldn't be treated a little bit differently than the dead debt, such as a general item because the general item is all going to have to be recovered by taxation.

A So is the second.

Q Well, the only thing is that you are going to recover that individually, that really is a debt by the taxpayers to the City, isn't it?

A Well, but the City itself, you see, sir, they borrow

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A (Cont'd) money all over the world and we have to pay, we are only, we are only the go-between for these people, just a go-between.

Q Let me go on to the column of Utilities. When you borrow money for your Utilities am I correct in presuming that the revenue of the particular utility you borrow for are pledged against the debentures?

A Yes, they carry their own debenture debt exclusively. There is no charge whatever on the general taxes for any debt of the Public Utilities, they are all borne out of their own revenue for services.

Q I don't think you quite understand me, supposing the Electric Light Department borrows some money by debentures, am I correct in presuming that it is a term of the debentures that the revenue of that utility has to be set aside firstly for taking care of that debenture?

A No, no, that was, that is the case in American cities but in the case of Edmonton we put the whole strength of the city on the line when we borrow, no matter what the source. I think they wouldn't have any, for instance, it would be a very weak case on this continent to have the strength of a transit system behind them when they are nearly all losing money but one American built the Great Uland Sewer at a tremendous cost of \$2,000,000.00 in 1912 and '13 and it wasn't finished by 1914 when the war broke out and we were not able to pay him because we had no money. We had to cancel the Switzerland Power Plant because the Power Plant



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A (Cont'd) from Switzerland, by the way, Bovary, are now doing the present one, the same people but when he couldn't get out of it, paid in debentures, he demanded Electric Light debentures because they were the only one paying a profit at that time, it didn't do him much good really because he had the whole strength of Edmonton behind him.

Q I wonder, Commissioner Hodgson, if you would expand a bit on the question of the renter. At some of our hearings some suggestion has been made that in connection with utility operations the utility rates have been kept unduly high because it was a way of getting at the renter and you mentioned here yesterday, I think, that you felt that on the whole that the renter paid the taxes on the real property which he occupied, is that right?

A I made this statement, sir, and I made it many times that in prosperous times the renter pays all of the taxes and sometimes more but as I mentioned in the case of Ex-Mayor Fry, when you get into^a/depression the poor landlord has to pay the taxes because you can't get any, he cuts the rents down from \$35.00 to \$10.00 a month and he did not pay the taxes but now when you get prosperous times I know that the tenant pays every nickel of his taxes and in some cases more.

Q Would this be correct to say that over a term of years a renter pays the real estate taxes on the house or in the alternative the house is likely to be lost?

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A Yes, I think that would be a fair charge and more and more have I come to that viewpoint. I see that it was emphasized by Mr. Eric Hardy in a Brief that he prepared for presentation to the Provincial Government about a month ago for the Municipal Convention of Alberta asking for more government assistance. I have also discussed the same point, quite often, with Dr. Cross. You remember in our hospitalization we put two, maybe three mills now on our taxes so that anybody going into any hospital in Edmonton can get service at a dollar a day for the general rate and a dollar a day for the extras, which often are very excessive, and those who do not own a home therefore don't pay direct taxes they now have to buy a contract by paying \$14.00 a year for it and I would say that at the present time, but not in the past, where we have gone through so many strenuous times I would say right now, almost, that the renter was paying twice. I have that conviction and Dr. Cross had it also.

Q Mr. Hodgson, how do you know when taxes have reached the saturation point? How do we know that taxes are where they should be in the City?

A I couldn't answer that question, sir, I don't know what the saturation point is. Many people have talked about the saturation point and then lived normally under a figure far greater. Saturation is often mentioned, there is the saturation of the market for motor cars and those things, they seem to be producing them faster than ever right now.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q Yesterday, Mr. Hodgson, you spoke about a mill rate of 75.

A 72, sir.

Q 72?

A Yes.

Q You said that was too high. Now --

A I think so.

Q -- where is the limit?

A Well, when I say it was too high, sir, I was going, naturally I was careful to point out that it is no good considering the tax rate unless you consider it in conjunction with assessment and I suppose that our assessment in those days of '35 or '6 would be, it is now 188 million plus 10 million 5 hundred for utilities and I would say it would not be in, somewhere in the order of about 40 million or 50 at the outside, that was a tremendous figure.

Q Well, the point is that we have been told that real estate is carrying all that it can carry. Now, do you agree with that?

A To this extent, sir, that real estate at one time consisted of the sole wealth and I suppose our great, great grandfathers in the old days in England before the Joint Stock Companies Act made it possible for people to go into great ventures, including the South Sea Bubble to have all their wealth in landed property, what they called the landed gentry, but that isn't the case

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A (Cont'd) in England right now because you remember under Lloyd George that, if you are conservative you call it iniquitous legislation, he put a tax of half a penny on an acre of land so as to get it into use, because vacant land paid nothing but in the case now where a man owns, a man doesn't own his own house and I know a certain Alderman, he is dead now, I knew him, where he deliberately sold his home and rented because he said it didn't pay him to live in his own house and another man with a hundred thousand in Victory Bonds in his safety deposit box, and I know several of them. They, you can't get at that form of wealth and therefore it is necessary to base all our tax theories upon something whereby we can collect. Now, it isn't right that one man, if he doesn't pay five cents of the taxes even, on local improvement or school taxes, or general, that we have the legal right, in eighteen months, to take his home from him. You haven't got the legal right with a renter to do that, he simply takes his coupons and cashes them and we have no access to that form of wealth but we can take a man's 20 thousand dollar home from him.

MR. ROBISON EXAMINES THE WITNESS:

Q Mr. Hodgson, excuse me, Mr. Davies, just on that point. Some textbooks on municipal taxes, taxation and assessment state that when the mill rate, regardless of what the assessment is, when the mill rate gets to around 60 or above 60 that the public commences to be apprehensive. Now, I have the idea

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Q (Cont'd)that that statement is in Crawford, it is in some of the books on Municipal finance in any case.

A Well, in regard --

Q It is a psychological factor, not necessarily a financial factor, a psychological factor.

A Really, your colleague Mr. Blackstock could answer that better than I because he deals with every municipality in Alberta in his experience and he knows the tax rates. Now, I understand that in country points there is lots of tax rates which are higher than 60 but I have, I don't know definitely but I think, I have seen it.

Q But it is cities we are referring to really.

A What about your own City of Calgary? The year before last they were 65. They would have been 68 or 70, I suppose last year, except that you did like we did you re-assessed and brought it into modern line, the valuation on your property but Calgary was 65 and it has, they have been 60 and above, I think, for quite a while.

Q Yes --

A The only time that I know Edmonton had a tax rate over 60 was in 1934 in the time of Dan Knott, he was the Mayor and he lost the election the following year and he always ascribed it to putting in an honest mill rate because he followed a man who had not done so. He said: "I paid the penalty of playing the game." I really wouldn't like to think there is a psychological factor because if we had

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A (Cont'd) to adopt the policy that is legal in the municipal district and in all of America, practically all 100% on land and buildings, our tax rate would go very much down but suppose we went down to 40% or 25 the tax rate would go into the 70's or the 80's but nobody would pay any more because of it. Yet, I think, I agree with you that there is a psychological factor because when I have been East selling debentures, unconsciously you do this, they say: "Oh, your tax rate is 52 and this city is only 42."

Q That is right.

A But there is really no sense to it, sir, until you know the assessment as well as the tax rate.

THE CHAIRMAN: I think we should take the mid-morning break at this time and come back at five minutes after eleven.

(At this point the Commission adjourned for 15 minutes and reconvened.)

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Q MR. DAVIES: Mr. Hodgson, I want to come back to this same question again that we left at adjournment. The petition of the City of Calgary and Edmonton before this Commission is, that they need more money, that is the **position** they are taking?

A Yes.

Q Obviously, when it comes to this Commission to make its report; this Commission I would think would have to deal with the question, whether or not these two cities were drawing on their existing sources of taxes or taxation to the extent that they could, or should be expected to, so it brings me back again right back to the question I raised with you before the adjournment?

A As to whether there is a saturation point.

Q As to whether or not taxes are high enough in these cities, and how do we know when they are high enough?

A If you had been a City Commissioner sir, you could answer your own question very readily. Now, it depends on the point of view, and there is one point of view already been given before this Commission. If a man's chief anxiety, if a man's chief anxiety is the best way to invest his surplus money he says, "Let's have more services, and let's pay more taxes". But, when we were proposing to put two mills on the tax rate on Doctor Cross' scheme of hospitalization, I had phone calls about it, and interviews, and I remember one young girl, a married woman with a small family and she phoned up and wanted to know all about it, and she says, "If this thing

James E.

Mr. [Name] [Address] [City] [State] [Zip]

Dear Mr. [Name]:

I am writing to you in response to your letter of [Date].

Thank you for your interest in [Topic].

I am sure that [Topic] is of great importance to you.

Unfortunately, we are unable to [Action] at this time.

We are sorry that we cannot [Action] for you.

We will [Action] as soon as possible.

We are sorry that we cannot [Action] for you.

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- 3480 -

A (Cont.) is going to increase my taxes by ten cents a year I am totally opposed to it". But, another fellow who has to invest a good deal of money every month, perhaps a professional man, he could say, "Oh yes, let's have everything, let's sweep the streets twice a day or something". It didn't matter to him whether his taxes were \$500.00 or \$1,000.00 a year, what is that when you make \$50,000.00 a year, but, if your income of your husband is only one hundred and forty five or \$150.00 or \$175.00 a month, and your taxes are \$249.00. She says, "I am paying all I can stand, let the Government come through with it, like everybody else, always spending somebody else's money". There were never very fussy when other people spent Edmonton's, I can assure you.

(Laughter)

Q Well, can I take it your answer Commissioner Hodgson is that in your opinion real property and improvements thereon in the City of Edmonton is paying all it can reasonably be expected to pay?

A Yes, I would like from my experience along there, I would like to reduce the taxes and the mill rate, because, after all the assessment have gone up, and when most home owners in Edmonton get their assessment notice within the next week or two, many of them will find that the value of their lots for assessment purposes has been put up from \$500.00 to \$750.00. Now, that means they have got to pay, if the mill rate stays the same, they have got

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A (Cont.) to pay two and a half times 5.30, and these smaller loans won't like it. Particularly am I worried about people who have borrowed so much money up to 90% perhaps because they have no other way to get a roof over their heads, and I think all the returned lads will have lost all their equity many times, and we will have a great deal of trouble in the city if we even get a recession, the modern name for depression to any extent. It was vitally affected, and I think the city would start once again a thing I never hoped to see where we take homes in the tax sale. Of course, there is one great safeguard now under this N.H.A. and all those, that insurance companies who put the money up and mortgage companies, they won't let that happen, because, they are not going to let a property in which they have got a \$6,000.00 loan go for \$200.00 taxes. I have noticed many times, well, in the month of December our tax collections went up inordinately. I had discussed it with the assessor and he says, "The reason is, by the end of the year rather than go in default, we advise all mortgage holders, and they frequently pay the balance up, and hope to collect it from the occupants of the house".

Q Oh, yes, and they added to the mortgage?

A It is a very good thing nowadays many, in the mortgage you know it includes the taxes, so we get our tax collections. For the first time last year, in the last 40 years that I know, Edmonton for the first time last year passed 95% current tax collections for

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- 3482 -

A (Cont.) the first time, never in my time did we exceed ninety four and a fraction.

Q Mr. Hodgson, during the period of your employment with the city, did you at any time ever take steps to make comparisons in other cities of Canada with a similar type of property, to ascertain how your tax burden was in Edmonton compared to other cities on a similar property. Now, before you answer that could I just give you an example. It occurred to me, one way to measure whether the tax load was a reasonable tax load that Edmonton and Calgary are bearing would be for example to take a standard type of house --

A We generally take a five room bungalow.

Q -- of the Central Mortgage and Housing Corporation and check up and see what that type of house, what the taxes are in Winnipeg, what they are on that house in Regina or what they are in that house in Calgary or what they are in Toronto. It seems to me that would not be a very difficult thing to do, because they have a lot of standard plans. My question is, have they, is there any available information in the city block in Edmonton you know of to show what the ^{specific} tax load is on a given type of property in different cities in Canada?

A I don't know whether there is sir, I have had people come to me, I have in mind particularly I had lunch one day many years ago with a new manager of the Sun Life Insurance Company who had come here, been moved here from Vancouver, and I was with Dick

Page 10

- 3282 -

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- 3483 -

A (Cont.) Craig of the Journal and introduced as a City Commissioner, or controller perhaps at that time, and he says, "I find your taxes are dear here Hodgson". He said, "I had a bigger house in Vancouver than I have here and my taxes were less there". Now, this was at least 20 or 25 years ago, but, the very thing you speak of sir, I am quite sure I could obtain that, at least make arrangements and then submit it to you.

Q Don't you think that would be interesting to have?

A Oh, I think it is most interesting.

Q And very useful?

A We tried it in America on visits, but, it is so difficult to do in America. They say, "Oh by jove our taxes are a lot less than yours, my tax bills are a lot less than yours". But, when we got down to discuss the matter, they were nothing of the kind, because, in addition to his tax notice once a year he got a monthly service charge for sewer which we all put in our taxes. And he had three or four things like that which we, it is all embracing in our tax notice, it covers everything. The only special item is your particular local improvements, sewer, scavaging, everything goes on one bill. But, in America they subdivide it, many cities subdivide it. Now, I am quite sure, I have taken an oath that I could obtain that interesting information from as many cities as possible, and what we generally do is to take a five room bungalow. Now, of course, in Edmonton that is not a common

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A (Cont.) thing, under modern N.H.A., most of our, I would say nine tenths perhaps are four room places, with a living room and dining room combined for economy of space, due to the high cost of building.

MR. ROBISON: I think the Central Housing and Mortgage Corporation has got all that?

A Yes, that is the first place I go to now for modern information, because, not only do they keep their own records, but many other subsidiary records. I obtained the information for Mr. Commissioner from them in regard to not only their houses, but old houses that have been built in that statement you received yesterday. They have all that information. They keep a great service in that respect.

MR. DAVIES: Mr. Chairman, I am wondering if before I leave this particular question if there are any other members of the Commission who wish to ask any questions relevant to this so that it can be all kept in one place on the record?

THE CHAIRMAN: All right, carry on Mr. Davies.

MR. DAVIES: Somebody was asking about the 50% differential in Edmonton?

MR. ROBISON: I am going to get into assessments, and that will be part of it. I don't think I want to just isolate it here.

MR. DAVIES: Mr. Hodgson, I wonder if you would mind taking this 1953 report of the city, and telling me where I could find in that, I know it is there somewhere. Where the money for the new City Hall is coming from?

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A If you look on page 21, two thirds of the way down the page, "Reserves for future expenditures". You will find that the fourth item is new City Hall \$2,322,483.75. Now, when you see that figure in the 1954 year book it will be over \$3,000,000.00. Because, I arranged to allocate another \$700,000.00 or so, to take care of the whole thing.

Q Was this money set aside, say for example from property sales or where does it come from?

A Oh, I put it aside from a thousand things, any time I saw a loose nickel I ^{rammed} it into the City Hall --

(Laughter)

A -- but didn't call it that, if I told the aldermen they would have probably spent it for something else.

Q You were careful not to use that term Taj Mahal too?

A I very much was.

Q You are aware, Mr. Hodgson, the very wide variation there is in school, the percentage of educational cost paid by the Province to the City in comparison with rural areas?

A That is right, you mean they give more to rural areas than to cities?

Q Yes?

A Yes.

Q And, it is a matter of common knowledge in some rural areas for example, some school divisions are getting 80% of the total cost of education?

A I understand so, yes.

Q Whereas Edmonton and Calgary were running about seven or eight percent?

A Eight or nine, now about fifteen.

Q Now about fifteen?

A Yes.

Q You mentioned something about Toronto, but, I have before me here the statistics of the Board of Education of the City of Toronto. Now, this is the old original City of Toronto approximately 600,000 people?

A 675, yes.

Q There is a chart here where the money came from, it says, this is 1953. "Municipal taxation 82.7%. Provincial grants 12.4%, sundry 4.8%, and I understood you to say yesterday that you had information that--

A 29%.

Q Which seems quite incomparable?

A It must have been very greatly reduced to make that twelve. I would say ^{the} year I got it sir, was probably not less than five years ago at the time, and I mention also while Toronto was 29 and a fraction, Victoria was thirty four and a fraction. I did that because of the statements made by the Government in bringing down the budget that they were paying an average of 32%, something of that nature at that time of all total education costs. So, while I was at a convention one time in the Palliser for the union of Alberta Municipalities. I asked a question from the floor, if everybody would stand up and tell me what the percentage of Government revenues

A (Cont.) they received to their total expenses, and I told them before I asked the question, that we in Edmonton we getting 9%. The highest figure I got from the floor was 16%, although I understood in the organized districts and other places they paid practically the whole costs. But, our kick has been they didn't treat us as well as they did Toronto and B.C., and Ontario.

Q What justification do you feel there is for any wide variations in the amount of money contributed for educational purposes by the province between cities and rural areas if any?

A Well, I always had the broad viewpoint that they were trying to do the best they could by the children, and, if they were underprivileged ones in the way of finances in the country that they tried to bring them as near as possible, but not up to city standards. We have heard a great deal in this inquiry by reading of the transcript about the elaborateness of Edmonton education. I don't know whether Calgary is behind that, I wouldn't think they would be, just as modern as we are, and I have no doubt their people asked for all these fringes and all these refinements.

MR. ROBISON: We had no Taj Mahal down there though.

A That is one thing, but we haven't got two, sir.

(Laughter)

MR. DAVIES: Mr. Hodgson, there has been some evidence given here in our hearings before Christmas; that for every job that is created out in the industrial

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Q (Cont.) area for example, at a good rate of pay by the industries that go in there, that it creates so many other permanent jobs here in the city of different kinds. Have you had occasion to investigate or make any inquiries about how many other jobs, every new job out there, permanent job in the industrial area creates in the city?

A No, I have never done it locally sir, but I was very surprised to read in the Reader's Digest, I think it was about 1946 or '5, that one small town in Wisconsin I think had made an inquiry, they took time by the forelock and said, "Now, our boys will be back from the front, what about jobs for them". And, they said, "Well, this factory will provide so many jobs". They were making, I don't know what it was, only a small place, but, to my surprise they found on this inquiry that for every job making goods, manufacturing goods, there were two people employed distributing them, there was middlemen, wholesalers, retailers, all these staffs. Now, they found that on making a survey on how they could help out their people when they came back from the front. But, I don't know, I have never made any study here, sir, and, I wouldn't like to speak without making a study, because, when you start digging into things you find extraordinary features sometimes that you don't expect.

Q In respect to industry, there is evidence before this Commission in both Calgary and Edmonton that a lot of industries don't require the services that the

Q (Cont.) city has. For example, many of these industries have their own police protection, fire protection, and their own water system and their own sewage system. Would you care to express an opinion as to whether or not in the event that industries such as that kind, that is self-sufficing, when it comes within the city boundaries, whether or not it should pay taxes on the same basis as if it didn't have those things at all?

A Oh, I would rather think if I was the manager of such a plant, I could present quite a case in their point of view.

Q Well, you are in the position now that you are the man to whom the case is being presented?

A Well, I think in the three people mentioned I would listen with a good deal of sympathy to some of the viewpoints that they put forward. I don't know whether the province, they don't like being invited to do this, that, and the other thing, everybody is doing it. But, it is quite true and yet, you take police and fire, if there was a holocaust at any one of those places, every available rig in Edmonton whether it was paid for or not would be there fighting it, and they will have to do so. Now, they are self-contained, Canadian Chemical have three 6,000 turbines and they make their own, it is economical for them to make their own juice because they can do so from the surplus steam that they have in their business. And therefore they have contained that, and, we don't have to provide street cleaning

A (Cont.) or scavaging for them. I would think it would be quite a subject for some special consideration. Especially I have sympathy for the three who put forward the viewpoint, you will notice there were three big ones who did not put any request into here, because, they were not a competitive business. If the oil companies lose a couple of million somewhere down the drain, they get a wire from New York, and up goes the gas half a cent and they have their money back by the weekend. But, you can't do that in a competitive industry.

Q You are aware Mr. Hodgson, from the point of view of fostering industry in this province we suffer from lack of population, that is market, local market?

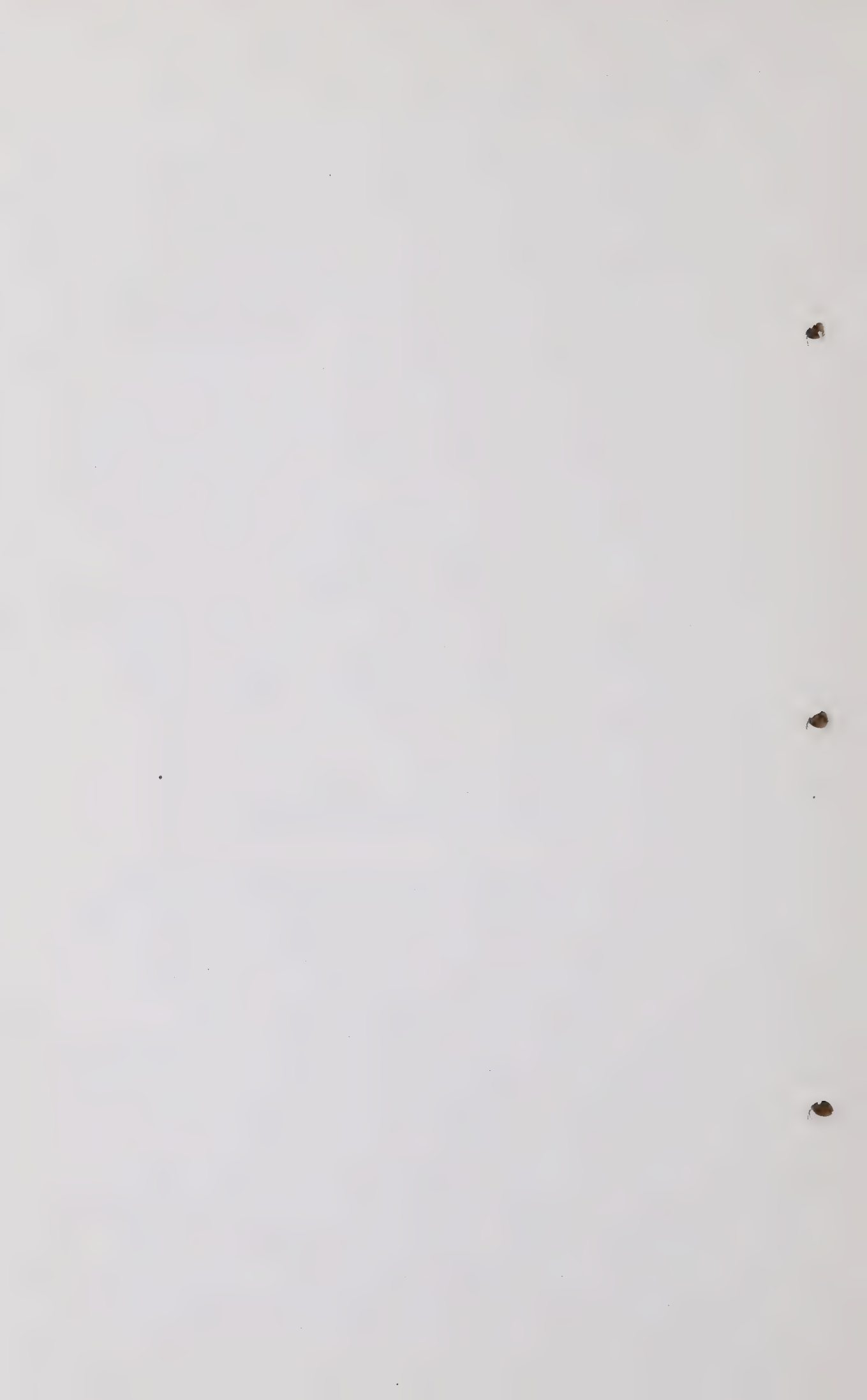
A Oh, very much so.

Q And, we suffer from high freight rates?

A Yes.

Q Those are two disabilities, and, would you care to express any opinion as to what this Commission might do to encourage the establishment of industry in this province keeping those things in mind?

A Well, I understand that the province through the Department of Economic Affairs have quite a set-up to go after, and send representatives to the great exposition in Toronto every year. And, as a matter of fact, I understand that Canadian Chemical applied to them to find them a site and so forth with all their various requirements, and they are doing quite a good deal. Well now, I rather get



A (Cont.) the inference from some of the statements here, that our efforts along that line with Mr. Curtis were perhaps not comprehensive enough. I wonder how many, I wonder how many industries that come into the city is the result of the work of the industrial commission. Ours was very little indeed, and I think any others too. We find this, that certain people want to establish a branch in the West, or make something from the West's great natural resources, and they say, "Where is the place to go?". And, they are the people who first approached you. We don't go out and find them in the streets, although, we do put adverts in trade papers and say, "This is a good place for anybody of the different trades to come and manufacture your goods". We go that far, but, I find this last many years that you don't need to mention Edmonton, everybody mentions Edmonton to you when you go to Toronto, Montreal, New York, anywhere you go. It used to be they wanted to get a dollar of our Funny Money, but that has all gone long long ago. Now say, "What about oil". I met people on the train coming up, I got in conversation with them, I said "Where are you going". And they said, "Going to Edmonton". A man and his wife, I said, "I happen to be going there, I am a civic official". I said, "Why are you coming". "Well", this couple says one of them out of many, "We have lived in London Ontario". They were a couple about thirty five, very fine people, and they said, "We didn't see much prospect in a little place like

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A (Cont.) London, the whole talk down East is Edmonton, go to Edmonton". They were following Horace Greeley I suppose, and came out here and I said, "Well now". They said "We want to get in the ground floor". They said, "We would like to get into a filling station maybe ^{own} ^{ourselves} one ~~one~~ of these days, but, in the meantime I am a skilled painter, do you think I will be able to get a job". I said, "Your difficulty will be to dodge one when you get to Edmonton at that time".

Q I want to turn to the question --

A But, nevertheless at the present time I would say that the unemployed in this city is quite a few thousand, but, this was in the springtime when **all** that was going up, and I knew that painters had been going, because I knew some personally, I says, "You will get a job all right, and if you get stuck come to me at the City Hall". And, I got him lodgings and all the rest of it.

MR. ROBISON: Mr. Davies, I am just on the point of industrial development, but may I ask the question?

MR. DAVIES: Yes, do.

MR. ROBISON: Mr. Hodgson, are you familiar with Chapter 39, 1952, an Act respecting industrial development?

A No, I never heard of it until I read it in the evidence here, I was simply concerned myself mostly with the City Charter.

MR. ROBISON: Then, you wouldn't know how this Act

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Q. Now, I want to ask you a question.

A. Yes.

- 3493 -

MR. ROBISON: (Cont.) of the Department of Industrial Development Board have been working out?

A Yes, I never heard of it sir until I read it in the evidence before this court.

MR. ROBISON: Well then, there is no use going into it?

A No, but when you speak about, had I any sympathy with the people that they should get help in the initial stages. I thought back to the last one we gave in Edmonton before the Government stopped us from competing unduly with other people, and that was Canada Packers. Now, Canada Packers came here in the depression, and they built a very modern plant, and under what we were able to do at that time, they got a concession in that whatever their assessment was we only charged 25% of it in the first five years, we did the same for Swift, I remember we gave Swift ten cent water for 20 years even though it cost us thirty. I would say that these modern people competing with high freight rates, and especially when I saw where they sold their products, only 30% of Canadian Chemical sold in Canada alone, 26% in Quebec and Ontario, 2% in B.C., one in Alberta, and one in all the rest of Canada. While 70% outside, including 51% for Latin America, including Mexico, 10% in Europe and 8% in the United States, 1% elsewhere, now, that was not what Canada Packers was up against, Canada Packers had access to the same raw materials as their three competitors, they could buy their own cattle, hogs, sheep, and swine through their receiving stations, or through the stockyards

A (Cont.) which last year valuated \$82,000,000.00 worth of business. Mr. Adamson told me yesterday, they had access to that, they had access to the same markets all over the world, and they had the same ^{freight} ~~/~~ rates, and yet for five years Swift's ^{their} ~~/~~ competitors and Gainer's and Burns had to pay three quarters of their taxes. I think the appeal of these three people has much more merit in my eyes than that one, and that was the last one we ever gave.

Q MR. DAVIES: I want to turn to the question of city boundaries for a moment. For example, the City of Calgary wantsto expand its boundaries approximately by doubling its areas of Calgary. Could you tell me Mr. Hodgson in your memory, going back some years ago, would it be right to say there was a stage in Edmonton, when there was possibly only one third of the total area within the boundaries that was developed, and the other two thirds was undeveloped?

A I would say fully that, and I would say, going back to the old days the development was all, the only development, outside of the city property in the West end was Calder which was brought in in 1918, why, look at the tens of thousands of lots we sold, twenty to a block to grow vegetables, why, we sold thousands of acres there. Oh, I would say not more than one third was developed in your time and my time, which is going back to the earlier days.

Q I want to touch on something you mentioned about the school Board, would you tell the Commission if as a

Q (Cont.) matter of practice, when you were a City Commissioner in Edmonton, if you had any personal discussions with the School Board about their budget or, with the Superintendent of Education of the city, did you have, did you have negotiations, did you bring any pressure to bear or try to on the School Board, to keep their estimates down, were there any conferences --

A Well, I never went into any detail but, I would just simply perhaps refer to Harry Turner and Ross Sheppard, that our assessment was increasing by so much, and I hope that it was not going to be unduly high, but, with regard to going into details, no, never, you wouldn't have got any thanks for doing so, because they were antagonistic, they were cancelled, because they would say we are elected, and they told you so, we are an elected entity and they told you so, and we run our affairs.

Q Is this Commission to assume from your evidence yesterday, you would much prefer to see the county system superimposed on this area?

A Very much so, very much so, indeed, and that is the whole sum of my experience with them. It is not right to have two Governments, one demanding the other, and the other providing it. There is always unconsciously friction there. You could see I could get a new trustee, not more than two weeks, but, he had not been there that long before he knew that the city council had to keep hands off him. He was running his own affairs, and he developed, not acrimoniously, but they all knew my views ^{very strongly} that I

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A (Cont.) shouldn't be there at all, and many of the trustees, I will say several, when they left the trusteeship, not when they came on the city council, I am speaking now of those who didn't come on the city council, they come to me and actually told me the conversation that they agreed with my viewpoint, as I said yesterday, one of them went so far as to say, he resigned from the School Board, he said, "I regard that 90% of the business that we transact should have been done by the city council". There is the matter too that the alderman for some years have received some remuneration. The school trustees tried to get it also, and they found they could not do so, they were barred from doing so because the School Act says, "No". So, as many as could do so crossed the line.

(Laughter).

Q You mean from the School Board, from the Board to the Council Chambers?

A Never the reverse, I have never known that.

(Laughter)

Q Does that mean that your idea would be that a county should be created in this enlarged area with its boundaries of this enlarged area?

A Yes, but I would like the area, but I would like the School Board to be the city council the same as the town of Devon is, Devon solved it beautifully by appointing the city council as the school board. And, they are part of this district we are speaking of, and as I said yesterday Grande Prairie voted two

Witness,

trustworthy, not when they

I am speaking now of the

and in all; counsel, they come to

the conversation that they

as I said yesterday, one or

and, he testified that the

of regard that 90% of the

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School at says, "No."

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and

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but I would like to

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of the

A (Cont.) to one to continue the county system I think its ideal, I think it is a wonderful system of government that the people who have to raise the money should have a say in the spending of it, and, it would make no difference to education because as I say, Ross Sheppard would be to-morrow morning become the director of education, the ^{Government would} still set the curriculum, would still inspect it and it would be carried out, there would not be a conflict of building this kind of a fancy building, it would be built to a standard.

Q How would you provide for the Separate School Board?

A I would provide for it very readily, thank goodness it is excluded under the County Act. That has got to be settled nationally, the same as America settled it nationally, against the Japanese and French-Canadians, and we have one school board in America, that is the public school and no other.

Q Well, is it your opinion that the present County Act ~~makes~~ provision for the Separate School Board continuance on the county system?

A No, I understand from the Deputy Minister that one of the provisions of the county system was to exclude the Catholic system from the county. Because of the religious difficulties in different parts of the county, it would not present that difficulty in B.C. or Manitoba would it, because ~~they~~ haven't got a Separate School Board in those two provinces.

Q Well, it is your submission then, what you are saying then is that it would involve a change of law in this province though, to impose the county system to preserve

building this kind of

building is a mistake

How would you reply

A I would provide for it very easily

It is excluded under the act

to prevent a restriction in

the action of, against

the Government, and we have in

the act the public

Well, it is your right

And when, provision for

under the act

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in the act

and it would be

of the act

Q (Cont.) the laws of Separate Schools that are in our laws at present?

A Well, apparently deliberately the Government when they brought down the Act and they ^{deliberately excluded the} / Separate School Board for obvious reasons. You see in Montreal, and Quebec where we don't have too much bother with Separate School Boards, it is what you and I know as the Public. But, I had never any bother with the Catholic School Board, they were always under money. You see, about 25 or more years ago, the year book shows it they had a different mill rate to the public schools, and it raised a great deal of friction, and as they were less than the public schools, people tried to change over, I remember one Jewish gentleman who tried to change over, he owned a great deal of property, well known to everybody here, and he went in to Tom Walker one day and he says, "I am changing from the public school Board to the Catholic school Board". Tom says, "That is quite all right, just sign in this form". This form stated, "That he was a Roman Catholic and not a Jew". He says, "I can't sign that." Well, he says, "You will pay public taxes". So, from that point the Catholics were so harassed they always wrote me a letter, you see, under the School Act they have got to place their demand by the 15th of February on the city for the amount of money that they need to get for the succeeding year. Neither School Board did that, Harry Turner would wait until I could give him the figures of the new assessment, and then he

the laws of God

and at present

is, apparently, still in the
process of being brought down to the

and of those who are doing so
separate school board. It is
the P. H. C. But, I have never
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and at present

A (Cont.) would show how much money he should get and then he would tell me exactly which much was which. But, the Catholic School Board were different. They always sent a letter and I can repeat it from memory. "The amount of the Separate School Board demand for the year 1955 will be that amount of money which is derived by applying the Public School Board ^{rate} to the Catholic assessment". So, they have as you know one fifth of the children, but only one seventh of the taxation. I never accuse the Catholic School Board of being extravagant, because, they were prevented by means for being so. They had to get by as best they could, by using Nuns, and priests, and so forth as free help.

Q Now, Commissioner Hodgson, I want to turn to the question of utilities for a moment?

A Yes.

Q Which I think one of your many specialties?

A Yes, our Sheet Anchor.

Q Now, I have here Mr. Hodgson, the report of the city for December the 31st, 1941?

A Yes, I prepared that.

Q And, I wonder, since I have it, since you prepared it you take a look at this, and see if you can give the Commission a little more information as to when you started to tax the real estate of the utilities in Edmonton and when you imposed the 5% tax?

A I doubt if it had been done in '51, I meant to look it up, and forgot the date when I first put that into effect. I am not sure whether I wasn't comptroller when I got council to accept that principle, if so,

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A (Cont.) it must have been before 1937.

Q I wonder if you would look back in there, there is a table there for 1941, as you know very well since you prepared it of the earnings for the utilities and so on for five years ending 1941?

A They always give a five year comparison.

Q Yes?

A Now, this is '41 to '37, shows a gross earnings under the various utilities, waterworks and all the rest of it, what is the point in mind sir.

Q The point in mind is, I want to find out when did the city first start to tax the real estate of its utility properties?

A They don't tax the real estate of the utility properties even at this date, they tax it only on the great franchise amount.

Q It is since real estate isn't it, the answer is that you can't tell me today when the city started to impose the 5% tax?

A At the same time we started to impose the taxes, at the same time we imposed the taxes, at the same time we imposed the taxes on the franchise, the same moment.

Q But you don't know what year that was?

A No, I will have to find it, it will be the subject of one of my reports because, I recommended it and they accepted it. I thought it was more businesslike to put them on the same lines as the only franchise we have the Northwest Utilities.

Q MR. ROBISON: I wonder if you could get and file a copy of the report you made commending that taxation

University of

1937

Q. What have you been doing since then?

A. I would like to

table of the for 1941, as

now prepared is of the same

as for five years ago

A. They always give a list

Q. Why?

A. Now, this is all to

the various cities

Q. Is that what is the point?

A. The point is that

the city first came to

A. Actually, probably

A. They don't see the need

ever at this time, and

A. I don't know.

Q. It is since then that

A. You tell me.

Goodbye the 25

1937

1937

1937

MR. ROBISON: (Cont.) procedure?

A Public utilities?

MR. ROBISON: Yes?

A I will try and get it sir.

MR. ROBISON: And, at that time give it here?

A Yes, a copy of the report. I am expecting that it was a written report, and not verbal, but, I would imagine it would be written, but, I will get you a copy.

Q MR. DAVIES: Now, I wonder if you would take your 1953 report Mr. Hodgson and turn to page 56, Electric light and power distribution system. Now, I realize that these questions should possibly, should ordinarily be directed to an existing city Commissioner, but, I am directing them to you because you were the Commissioner at the time?

A That is right.

Q Down near the bottom on page 56 it says, "Taxes, franchise, and real estate \$131,000.00"?

A Yes, you could delete real estate, it really should be franchise tax.

Q I see, and, so, let us say for example the power plant, or any buildings in the city owned by the electric light and power distribution system are not on the tax roll?

A Not on the tax roll, and neither is the \$10,500,000.00 franchise, just the note on the end, because, we don't give it to the School Board, we just keep it for ourselves.

Q And, the word real estate hasn't any meaning in this

English

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I will and get

Q. ROBERTS: And, is that

copy of the report

written report and the

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copy.

Q. DAVIS: Yes, I believe

rights that these persons

ordinarily be directed to

us, I am not sure that

Commissioner of the

A. That is right.

Q. Now, the other

franchise, as you state

A. Yes, you could believe that

he franchise tax.

I see, and, so, let us say

plant, or any.

Q. Now, and what

Just the note in the

Robert Roberts

Q. Now, and what

Q (Cont.) report there?

A Would you mind repeating that sir?

Q Well, where it says taxes, franchise and real estate, \$131,000.00 the word real estate doesn't add anything to the word franchise at all?

A No, I think it should be restricted to the word franchise only, I won't tell you the reason why I cut that out.

Q Well, how is it that arrived at then, the franchise tax of \$135,000.00?

A By putting the amount, and, I think at the moment it is fifteen or sixteen million dollars. Each one is assessed separately the same as we do the Northwestern Utilities. The franchise tax for the Northwestern Utilities starting in the early days when they were a very risky venture, and the people had the courage to come here and give us all this modern benefit was only \$600,000.00, although the plant cost a great deal more than that, and I suppose it was a tax concession in a way. Well, it rose up next to \$750,000.00, and I got it up to \$900,000.00, and I got it up to a million. I must say Mr. Ray Milner with whom I dealt was a very fair gentlemen and we had no difficulty with him whatever, he takes a large view of things, of course he is a large business man, and I understand at the moment it is over \$3,000,000.00, although their capitalization as I said yesterday was \$32,000,000.00.

Q Of course, their capitalization would have to do with their undertakings and transmission lines beyond the city?

of the 19th century

including the 19th century

of the 19th century

of the 19th century

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A Restricted to Edmonton only under our agreement with them, and the 5% tax on the gross revenue is limited to that received within the limits of the City of Edmonton.

Q Well, I want to get back to the franchise item on page 56 of the 1953 report, the electric light and power distribution?

A Yes.

Q \$131,000.00, can you tell me, I don't understand how that is arrived at. Is it changing each year. How do you arrive at that, what is it taken on, is it a percent on something?

A Oh, no, no, it is based on 53 mills on the assessment. If you divide 53 into 131250 you will get the amount of the franchise.

Q Is that supposed to be related to the value of property?

A In some respects, it is more nearly related than the Gas Company is. We have about, on the assessment roll we have \$10,500,000.00 as against \$3,000,000.00, but, the total capitalization of our utilities, ^{not} ~~the~~ ^{total} ~~worth~~ of them, the capitalization is \$16,840,000.00 I think, and I put the Gas Company at \$32,000,000.00. So that is a straight, you arrive at that by applying whatever the current year's mill rate is to the amount of franchise levied, assessment, assessment rather.

Q Is there a by-law covering that?

A Pardon.

Q Is there a by-law covering that?

A Mr. Garside could tell you better than that.

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...resolution ...

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...proposed ...
...of the ...
...last ...
...property

...all we ...
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...of ...
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...however ...
...franchise ...
...there ...

MR. GARSIDE: I don't think so.

A I never bothered with law, I had enough to do with finance.

(Laughter)

Q MR. DAVIES: I am sure you must have been mixed up with the lawyers though, with your amount for the Civic Block.

MR. ROBISON: What authority would there be for this whole proceedings, would there be minutes of the City Council adopting a recommendation?

A Oh, yes, there would be a report go to the City Council either verbal or written, and the authority would be the resolution the City Council adopted.

MR. GARSIDE: There's also provision in the old City Charter by which it could be done, I could get that for you?

MR. ROBISON: I wonder if you wouldn't mind Mr. Garside.

Q MR. DAVIES: Then, moving down to the next item, 5% on net revenue, that was imposed for the first time in the same year the franchise tax was?

A They both went in together, that is correct.

Q And, the foundation for this theory that this was correct to do this was based on the fact that the Gas Company paid 5% to the city of its gross revenue, and also paid taxes on its transmission lines and other property within the city, is that right?

A No, they don't pay on their transmission lines, only in the property within the limits of Edmonton.

Q I mean on its transmission lines within the city property?

Page 12

Set 1 and 2 in 28

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A Oh, that is right, that is correct.

Q So that the city utility system then got started on this franchise tax and 5% of the net revenue to liken it to the Gas Company?

A Yes, the reason why I asked council to institute it was, that frequently I had criticism. Our utilities were showing quite enormous surpluses and I said, "Yes, very easy to show those great surpluses, but if you were a private utility you would not show them so great because you would have to pay the normal taxation". I said, "That is a good argument so I will meet it". And I brought it in so they couldn't argue that way any more.

Q So that the true situation leading up to this imposition was the city utilities were making profits, substantial profits?

A Very substantial profits.

Q And, instead of reducing the rates to the utility owners, this was a device which would make it look as if they were making less profit, now, is that a fair statement?

A Well, some people might infer that, but I never deceived myself on that point of view. I mean, the general public might get the very point you are speaking, certainly.

Q After all you couldn't very well go piling up huge surpluses without reducing the rates very well could you?

A Well, let us take this point of view.

Q Just a moment, before you take that point of view, would

...and the ...
...and the ...
...to the Gas Company

Yes, the reason why I asked ...
...that frequently I had ...
...a lower price ...

'Yes very easy to show ...
...if you were a private ...
...so great because you would ...
...taxation". I said, "That ...
...meet it". And I ...

...that way any more.
...that the ...
...position was ...
...profits, substantial ...

Very substantial profits ...
And, instead of ...
...this was a ...
...as if they were making ...
...fair statement?

Well, some people ...
...deceive ...
...general public might ...
...speak, ...

...all you could ...
...very well ...

Q (Cont.) you mind answering my question, it isn't very easy piling up large surpluses without reducing the rates, is it?

A True, you see, in the Old Country where I had my first experience with the public utilities, the city I was in was like Edmonton, it carried all its own, including artificial gas, street car lines, and all the rest. The idea in England where everybody are paid the same, where the taxes are paid, I think you know on a rental basis. The landlord pays the same as the tenant, the tenant pays the taxes of course there through a rental basis. The idea as everybody knows in England is service at cost. Now, that is the whole idea of public utilities as Mr. Davies points out, is service at cost. But, we have been plagued in this city as you know by lack of funds. If I have to tell you, an alderman once asked me what I would regard as a normal year, and I said, "If I ever saw one I would never recognize it because everyone seems to bring its own problems in this city". So, we deliberately have some times raised it, and sometimes reduced it, our rates on utilities. But, seeing that everybody uses, we have between sixty and seventy thousand users of our utilities, and seeing both the landlord and the tenant in the homes they live in respectively pay the same charges, we think it is a very wonderful way of getting taxes in every month. Now, our utilities as you say have made enormous amounts of money. I started to make a computation when I was comptroller, and I went back as I said to 1902, and

1925
1926

I answered at once
"up large expenses without"

yes, in the 1925 country work I had no

no experience

Y I was in like England

up, including outlay

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if the same would be the same

you know on a rental basis. In England

and the tenant the tenant pays

course there through a rental basis

everybody knows in England it is

that is the whole idea of public utility

Davies points out, it is not

been placed in this way

lands. If I have to tell you

asked me what I would want

I said, "If I ever saw a man

because everyone seems to

city city". So, we have

asked it, and sometimes reduced

will be. But, seeing that every

have between sixty and seventy

utilities, and we have

found in the case they like to

we think it is a very

every month. Now

we made a mistake about

and

A (Cont.) I have a statement which I perhaps would like to give to you, it may be of interest to you, and I will try and make a point of getting you one. I kept that current, I kept that current as long as I was comptroller, and it is even kept current up to this day, because, I used it every year in the statement I took down East in our bond sale ventures. While it was 1916 before we crossed the line and broke even on the net, I would say that up to the end of 1954 that the total amount of benefit that the utilities had given to the reduction of taxes which of course as I say the tenant pays the taxes even more than the owner must be approaching \$30,000,000.00 by now. It was about \$25,000,000.00 odd when I saw it last, and that would be eighteen or two years ago. I would say yes, altogether \$30,000,000.00 has been shown there as profits derived from utilities and used in reduction of taxes.

Q Would it be correct for me to presume Mr. Hodgson, you like the idea of public utility system based on the theory of service at cost, does that appeal to you?

A Oh, it is an ideal to be aimed for, but it is in such a distant future, I can't emphasize it at the moment.

MR. BLACKSTOCK: Aren't other utilities in the province doing just that?

A I know, I don't know whether they copy our bad example, but Calgary didn't use to take anything hardly as Mr. Robison knows, but now, they take a large amount.

approximately 1944

212

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MR. BLACKSTOCK: I am speaking of private utilities who give service at cost which includes the return --

A On their money.

MR. BLACKSTOCK: -- so much which they are entitled to on invested capital?

A Oh, yes, I think that private utilities, they are in a different position to the public utility in that they are allowed a certain return when the rate is given and if they don't make it the rate can be increased, if they make too much it is decreased, and it all comes down to this that their shareholders shall we say in round figures like we are limited to a $7\frac{1}{2}\%$ return.

MR. BLACKSTOCK: That is true?

A Whereas we may get 15%, probably do.

MR. BLACKSTOCK: In fact on your thirty million, could you just tell me offhand what the average percentage has been over the years when you made \$30,000,000.00?

A I wouldn't like to make it public, no.

(Laughter)

Q MR. DAVIES: Well, it would be correct to say this Mr. Hodgson, I think that the City of Edmonton by reason of mounting expenses and by reason of shortage of tax space was forced into the position that it had to have recourse to more revenue by keeping the utility rates unduly high?

A I would think that is a proper statement, at many times in our history, yes. In the old days when our tax collections weren't more than 60 or 75%,

THEY:

as Mr. [unclear] [unclear]

Oh, yes, I think that [unclear]

the [unclear] [unclear] [unclear]

they are allowed [unclear] [unclear]

river and is [unclear] [unclear]

increased, it they [unclear] [unclear]

and is all [unclear] down [unclear]

shall we [unclear] [unclear]

a [unclear] return.

MR. BLACKBURN: That

A [unclear] [unclear] [unclear]

MR. BLACKBURN: [unclear] [unclear]

can [unclear] [unclear] [unclear]

percentage [unclear] [unclear]

100.00%

I would like [unclear] [unclear]

[unclear] [unclear] [unclear]

MR. JAVES: [unclear] [unclear]

Mr. [unclear] [unclear] [unclear]

by [unclear] [unclear] [unclear]

percentage of [unclear] [unclear]

it had to [unclear] [unclear]

to [unclear] [unclear] [unclear]

which [unclear]

A (Cont.) we had to go all kinds of expedients. We went into the Service tax, a nuisance tax if there ever was one, and the Government to this day still give Calgary and Edmonton \$30,000.00 in lieu of when they took it from us and instituted their own income tax.

THE CHAIRMAN: Thank you Mr. Hodgson, now, Mr. Davies has other questions, so we will adjourn for lunch and you will return?

A It is a pleasure sir.

THE CHAIRMAN: Thank you very much.

(At this point the Commission adjourned until 2:00 p.m. this same date.)

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THE CHAIRMAN: Yes, Mr. Garside?

MR. GARSIDE: Mr. Chairman, the question of the taxation of the utilities was under discussion at the time of the adjournment, and I will make a statement now with reference to the legal position. Section 320 of the Edmonton Charter was the section which permitted the city to tax land within the city, but it exempted all city owned property.

In 1944 the Edmonton Charter was amended, and I would file this -- it is a short thing and I would like to read it -- it is "467.(1) All works of a public utility nature owned by the city may be assessed as if owned and operated by private persons under a franchise from the city.

(2) The Council may from time to time,--

(a) fix such assessment on the value as a going concern of each of said works, including the value of the plant, machinery, fixtures, buildings, structures and all other things used in or in connection with each of the said works, and in addition thereto the value of the franchise in respect of each of such works and restrict such assessment to municipal purposes alone;

(b) fix the rate or rates to be levied upon the assessments so fixed at such amount as council may deem expedient, and said rate or rates may differ in respect to each of said works.

THE
OFFICE OF THE
SHERIFF
COUNTY OF
SHERBORN
MASSACHUSETTS
JANUARY 10 1891
TO THE
HONORABLE
JUDGE OF THE
SUPERIOR COURT
AT BOSTON
MASSACHUSETTS
FOR THE
RECORD

IN
CASE OF
THE
COMMONWEALTH
VS
JOHN J. CONNELLEY
ET AL
FOR THE
RECORD

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MR. GARSIDE: (Cont.)

" (3) In estimating the value of land, business or special franchise of any private person holding a franchise, no regard shall be had or given of the assessment of said works under the powers contained in this section ;

(4) Said assessment may be made and the rate or rates imposed for the year 1944 notwithstanding that the assessment roll for the said year may have been completed.

(1944, c.73, s.17).

Now, I stated -- I didn't number the bylaw because each year we draw what is known as the "mill rate bylaw", and in each year we have a special clause in that bylaw by which the city council fixes the assessment as well as the mill rate; and as an indication of this I refer to Bylaw 1476 of 1952, in which appears paragraph 7 , "Rate on Civic Public Utilities" -- this is how they all read:

" The Council hereby fixes the assessment for the year 1952 of the following works of a public nature owned and operated by the City, namely:

Power, Water Supply and Purification Plant

at the sum of \$2,500,000.00

Electric Light and Power Distribution

scheme, at the sum of \$2,500,000.00

Telephone Communication System at the

sum of \$2,500,000.00

Waterworks Distribution System, at the

sum of \$2,500,000.00

2-M-3
Address of Mr. Garside.

- 3512 -

MR. GARSIDE: (Cont.)

" Edmonton Transportation System, at the
sum of \$ 500,000.00
being the total sum of \$10,500,000.00 and hereby fixes
the rate for the year 1952 upon the said total assess-
ment at 52.5 mills for municipal purposes only."

That is the procedure we follow, sir.

THE CHAIRMAN: Have you copies of that?

MR. GARSIDE: Yes, I will file them now; I have enough copies
for the commission, sir.

MR. BLACKSTOCK: That amendment was in 1944?

MR. GARSIDE: 1944, sir.

MR. BLACKSTOCK: But in spite of that you had been taxing
the utilities on that same basis for some years prior to
that?

MR. GARSIDE: We hadn't put them on the assessment roll, sir.

MR. BLACKSTOCK: No, but you had actually been levying?

MR. GARSIDE: Yes --

MR. BLACKSTOCK: I saw the 1941 report the other day.

MR. GARSIDE: Well, perhaps --

MR. BLACKSTOCK: These items appear: 5% tax and a franchise
tax.

MR. GARSIDE: Well, if I may make a statement as to my own
experience in this matter: I remember quite well during
the time of the depression when this matter was openly dis-
cussed in the City Council, I remember particularly when
the transportation fares were reduced to five cents, and
the property owners believed that it was proper and in the
interest of everyone that the taxation base should be in-
creased, and that one way of doing that was by, probably,

- 3513 -

MR. GARSIDE: (Cont.) including in the rates something which you might not think as profit -- it might be more than perhaps the utility board would allow on the basis that they follow -- but anyway, whatever that was it was in the nature of a spreading of the tax.

I believe also that is quite a common matter in other cities -- I am told so, and I think Mr. Hodgson might have more to say about that later.

MR. BLACKSTOCK: So that the amendment, Mr. Garside, if I may quote the Mikado:

"Gives an air of verisimilitude to an otherwise bald and unconvincing narrative."

(Laughter.)

THE CHAIRMAN: Mr. Garside, to come back to the question before us, are there two exhibits here or just one?

MR. GARSIDE: Just one.

THE CHAIRMAN: 169E.

EXTRACT FROM THE EDMONTON
CHARTER, AS PRODUCED, IS
MARKED EXHIBIT 169E AND
PUT IN.

MR. BLACKSTOCK: Mr. Garside, is this repeated in the new City Act?

MR. GARSIDE: I believe it is, but I would have to just check that.

MR. ROBISON: If you could let us know, if it is repeated, the what/section is -- and then we could note it on this, Mr. Garside.

MR. MOFFAT: Mr. Chairman, I have one exhibit also, if I could enter it now.

THE CHAIRMAN: Excuse me one minute, Mr. Moffat.

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J. Hodgson - Davies ex.

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MR. McGRUTHER: I think we better give this a separate number.

THE CHAIRMAN: This is the bylaw?

MR. McGRUTHER: Yes.

THE CHAIRMAN: Then, Exhibit 170 will be the bylaw.

COPY OF BYLAW NUMBER 1476, AS
PRODUCED, IS MARKED EXHIBIT 170E
AND PUT IN.

MR. MOFFAT: Mr. Chairman, you recall that yesterday afternoon Commissioner Davies inquired as to a pro forma budget on the basis of the area outlined in Exhibit 144E, as compared to the pro forma budget which is already on file which is Exhibit 100.

THE CHAIRMAN: Yes.

MR. MOFFAT: And I would now file a new pro forma budget on the basis of the boundaries as proposed in the map Exhibit 144E, -- or in Exhibit 167E -- it is the same boundary.

This was done by making the necessary amendments to Exhibit 100E, and then having the material run again as a new copy.

The changes are very very small and make no significant difference in the final results, but it may be more convenient to have it as a separate number; so I would suggest we give it a number, and that would be -- 171E, is it?

THE CHAIRMAN: Yes, 171E, yes.

DOCUMENT ENTITLED "PRO
FORMA BUDGET", AS PRODUCED,
IS MARKED EXHIBIT 171E
AND PUT IN.

THE CHAIRMAN: I think we are ready now, Mr. Davies.

Q MR. DAVIES: Mr. Hodgson, to continue our examination of what is apparently the "Gold Mine" in the Edmonton area, as distinct from oil, would you turn to page 23 of your 1953

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Q (Cont.) Financial Statement, and the heading at the top of the page is "Financial Statement, 1953, general revenue and expenditure statement". A short way down the line there is a summation under the heading "Five percent Revenue Tax paid by Utility Departments".

A Yes.

Q Now, I would just like to read these to you in the closest thousands:

Electric Light Department	221 thousand;
Power Plant	177 thousand;
Transit system	159 thousand;
Telephone	136 thousand;
Water works	116 thousand

Total	814 thousand .
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Then, the next heading is: "Profits contributed by Utility Departments". Now, this is profits contributed to the general revenue of the city -- in other words, these were profits apart from the five percent tax.

A Yes.

Q And apart from --.

A From the '53 mill rate.

Q The franchise tax -- that instead of being left with those departments to develop those departments, were taken into the general revenue fund of the city, and these items are as follows:

Electric Light department	\$62,000.00
Power Plant	\$370,000.00
Transit System	54,000.00
Telephone	\$114,000.00

General Secretary, and the Board of
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I would just like to see these

boards:

Electric Light Corporation

Power Plant

Trunk System

Telephone

Water Works

Total

There, the next heading is

Monthly Paper and News Office

the general revenue of the city

about from the five per

Yes

and the Board of Chicago

and the Board of Chicago

Revenue Fund of the

- 3516 -

Water Works

\$ 79,000.00

Total

\$691,000.00

A 691,000.

Q 691 -- I'm sorry. Now, in order for me to get a complete picture of the revenue that the city is deriving from the five utility departments, from their operations, I have added on to these two totals how much the franchise was charged.

A \$445,250.00.

Q Well, taking it off the individual statements for 1953, I have the franchise charges as follows:

Electric Light and Power Distribution Systems	\$130,000.00
Power, water supply and Purification Plant --this is the Power Plant --	\$130,000.00
Transit System	\$ 30,000.00
Telephone System	\$130,000.00
Water Works Distribution System	\$130,000.00

Total of that, I have,

\$550,000.00

A I didn't get the total but you can get it by multiplying \$10,500,000.00 by 52½ mills, I presume.

Q Yes. Now, then, if I take the total of the 5 percent revenue tax contributed in 1953 of \$814,000.00, the total contributed to the city in profits, transferred to the general revenue of the city \$691,000.00, and add on to that the \$550,000.00 in franchise tax you levied against the five utilities, that makes a total of \$2,055,000.00.

A That would be about right because it is \$2,200,000.00 this year, 1954.

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Q So that the evidence now before this Commission is that for the year 1953 the City of Edmonton took from its five utilities a total of \$2,055,000.00, into its general revenue?

A That's right.

Q For the purpose of alleviating the tax rate on real property; is that correct?

A That's right, that's correct.

Q And I don't suppose the assessment in 1953 was 200 million--.

A To be exact it was 180, 703.

Q Let us call 200,000 equal to one mill ---.

A Mmmhmm.

Q And we are back to this proposition, then: in the year 1953 the City of Edmonton drew the equivalent of 10 mills relief on its real property rate from taxation and profits of its five utilities?

A Yes, it was between 11 and 12, actually.

Q Well, I have it calculated at a little over ten; but I think your figure would be a little more correct based on the assessment of 180 -- I was taking approximately 200 thousand to the mill.

A Yes.

Q I want to ask you this: how far do you think -- how fair ^{you} do/think it is that utility owners should be contributing in the way of excess rates an amount equal to 20 percent practically of the total city mill rate?

A Oh, I think it is a splendid idea. If everybody had to suffer -- if all the taxing authorities in the world suffered from amnesia, total amnesia, tonight and we had to devise a new taxation system tomorrow, I would put this one almost at the top of the list for this reason: everybody pays alike.

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A (Cont.) You might say: well, you are taxing a fellow renting a house, and you are also taxing at the very same rates a fellow who owns a house and lives in it himself. I could imagine no better source -- far better than the real estate tax -- and fairer than this, because every person in any city pays on the same basis exactly; and I have always advocated, even though as I say I came from England where we had on the municipal audits I was with -- we had the basis of service at cost -- even there that has gone by the board, under difficult times, and they do take great surpluses now from their public utilities.

Q Do you know, Mr. Hodgson, there are places in Canada where it has not gone by the boards?

A Oh, I can quite believe it; but I can say this with some assurance that more and more they are coming into line.

Q Well, do you know anything about the great hydro-electric power system of Ontario?

A No.

Q Well, I would like to tell you something about it and then compare it with this. The great hydro-electric power system of Ontario with assets of, I think, about a billion and a half --

A Tremendous.

Q --They produce the bulk of their power, they produce about 80 percent of their power and they buy about 20 percent of it from private companies. Now, it is in the law of Ontario that there is no tax on any power site in Ontario. There is no tax on any transmission line in Ontario; and then the Ontario Hydro-Electric Power System sells that electrical energy at cost, to all the municipalities in the Province of Ontario -- and if the City of Edmonton were in Ontario it

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Q (Cont.) would be buying its electrical energy at cost from the Ontario hydro-electric system -- then again the local municipality or system has its own board of management, and they are under statutory obligation in Ontario to deliver that electrical energy at cost to the consumers within the area. Now, that is certainly much different from what it is in Edmonton.

A Oh, it's entirely the reverse. I much favor our own. I can see that point of view there, but when you get into the vicissitudes that we have gone through -- and we didn't know where our revenue was coming from -- we had to get it from where it was in the most convenient place, and the most equitable place, we had to adopt this because, as I said, before 1916 we never took a nickel from any of our utilities, not one cent; but then, successively, they began to take more. Well, there were more people; times were better and there was more money invested in them, and their sales were greater, and they took more; but I would say for not less than 30 years it has been a very live question with our people, through successive administrations, and all of them -- as Mr. Garside said -- we have had petitions in the depressed times -- not in the good times but in depressed times -- from the taxpayers association, to spread the taxes that way by charging everybody, renters and owners, with a sufficient profit that it brought back revenues to the city's coffers to help out the real estate taxes, and the license tax and all the other taxes we had; but in modern times like these I think -- I am interested to note what you say, sir, about Ontario, and that is strictly the principle on which municipal ownership was founded a long time ago in Briton -- but I didn't know it was in operation to the limits you say -- they are not even

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A (Cont.) allowed to make a profit. Calgary buys its power from the Calgary Power, and they pay $7\frac{1}{2}$ mills, as you know; but then they sell it up to 3 mills, and they make quite a large return to help out their taxpayers.

Red Deer: Red Deer went even farther, in the days of Mr. Gillespie: they bought their power wholesale from Calgary Power and they sold it to their people, and even in a small place like Red Deer, and they were not five thousand people when I am speaking of -- they were making as high as \$400,000.00 profit. They used that money, not to relieve the tax rate, but to install all the facilities that their little growing city demanded: they paved streets, and they did other things for which otherwise they would have had to borrow money. That is why in those days you could conjure with the name "Red Deer" because they had no debt. They were able to get it from all the people, tenants and owners, by charging enormously more than cost, and thereby getting the funds to finance all their improvements in the little city of Red Deer.

Q MR. BLACKSTOCK: I suppose, Mr. Hodgson, you are aware that out of those profits they set up reserves to retire their existing debenture debt?

A The existing one, yes.

MR. BLACKSTOCK: Exactly so, yes --.

A Well, you would know more about it than I; I only got it from reading their annual reports.

Q MR. BLACKSTOCK: After all, that was relief from taxation, was it not?

A Yes; take our own province: our own province do exactly the same as we do: they have got an enormous asset in the telephones. Why, the profits that they get -- they are not from

A (Cont.) telephones themselves, but I think their profits in the whole are derived from the toll fees. Now, the last time I looked at the blue book for the province, if I remember right, the net profit that the provincial telephones made, the net profit was about \$2,757,000.00 -- say, two and three quarter millions.

Now, they get that from that wonderful source: toll fees.

Edmonton contributed in part to that because we had a little sore point with them over many years -- I would say forty years -- because if you or I make a phone call to Toronto or Montreal, it goes through various systems, and they have got a system whereby if you get \$4.00 for a call, maybe \$1.20 might go to Alberta, 30¢ to Saskatchewan, 50¢ to Manitoba, and so much to Ontario; but our point was this: we provide you with now 65,000 phones, all potential users and many of them actual users of your long distance service. In other places they form part of the whole set-up whereby they are allocated, a part of that, because they provided an essential part of that service, but we have never had one cent from the Province, and they are now making two and three quarter millions profit on a public utility.

Now, that is so different from what you tell us of Ontario where they are more strict and they work on operation at cost -- but it is the viewpoint of legislators or municipal councils I suppose.

Q MR. DAVIES: You told us this morning, Mr. Hodgson, that you got into this device of a franchise tax and a five percent tax at a time when the city was short of money.

A No, no; I'm sorry; you misunderstood me.

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Q Well, to that effect.

A I put it in for this reason: that I was always meeting criticism from people, and one of the chief ones was that gentleman -- I forget his name now -- who for years was the active man in the Property Owners Association -- Mr. Race; and he said, "You are just kidding your people by saying that you are getting two million dollars in profits from your utilities. I say that you are not: you are only getting five or six hundred thousand dollars, and you are giving a false impression." He said, "If you had to work on a business basis" -- and other people said this too -- "and show the true results like any other operating company in the city did, you would see that those profits are only a quarter of what you are showing, and the rest is only normal taxation."

So, in view of all that criticism I worked it out and I put a report into council, I think, and explained the whole thing with suggested amounts for the franchise.

When I first put it before them I also did what we do with the gas company, and in addition to the franchise tax I had also a taxation on the land and buildings that they owned in addition, but that was so onerous on the street railway department that I abandoned that feature for that reason, took it out; because the street railway were making enormous deficits -- I have known the street railway deficit to go to \$200,000.00 a year, and may have gone over that in some other years -- but if you take the returns from the street railway even to this day they are still -- there is still a net deficit of more than half a million since the inception of the system; but we did it under criticism: it didn't change one cent, and council

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A (Cont.) and everybody knew it, the amount that we were taking from the utilities for the relief of taxation. It just changed the name, and it put three quarters of it under the heading of taxes and one quarter approximately under the heading of service.

Q Well, it made it look better, didn't it?

A Well, I thought it was more businesslike, too. I am not ashamed -- I wouldn't be ashamed personally to show \$5,000,000.00 as the city's revenue to reduce taxation from utilities; the amount wouldn't impress me at all unfavorably.

As I say, I have the firm conviction that there is no fairer tax put into effect today in this city than the tax on utilities, where everybody pays, renter or owner, and they all pay alike. You don't put these taxes against the rentals, you don't put them against the renters except indirectly, that they pay taxes through their rent, and you do put it against the individual property owner, but he pays exactly the same as the renter, a fixed tariff, 4¢ for juice, and different rates -- the same streetcar fare and the same price for water.

Q I don't agree with you that that tax is as fair as you are suggesting, and I want to suggest to you that when you greatly overcharge the patrons of your utilities, and take that into your general revenue to relieve the tax on real estate, that in effect you are benefiting the large property owner to a greater extent than you do the small man.

A Well, there may be that feature, but there was one other point of view --

Q Just a minute, just a minute! Before you go to the next

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Q (Cont.) point of view do you concede that feature?

A I think if I applied individual cases, where it was applied to a great company with a million dollars assessment as against a man with two thousand on his small cottage, it might be different, yes, I think so.

Q Now, I want to go a step further with this: let's take the City of Wetaskiwin. Now, the City of Wetaskiwin, for all practical purposes, doesn't own any utilities. Now, you told us yesterday that you were looking forward to the time when the cities were going to have the opportunity to share to a larger extent in the general revenue in this Province.

A Yes.

Q Is that right?

A That is right, that is my earnest hope.

Q You expect, Mr. Hodgson, that as time goes on the municipalities in Alberta are going to be given the opportunity to share in the general wealth of the province? That's right, isn't it?

A It was promised us one time, twenty years ago.

Q Now, the City of Wetaskiwin hasn't got any utilities. So, as far as the City of Wetaskiwin is concerned, their real property tax reflects what it should reflect: it reflects what they have to levy for. Doesn't it?

A It must be net in their case if they have no utilities -- exactly.

Q And then you told us this morning that before your budget went through -- or words to this effect -- that the Mayor would have to be waiting on the Provincial Cabinet or some member of it to see how much money the City was going to get this year from the Province.

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A No, we know what we are going to get from the Province under the Municipal Assistance, but I think you were referring, were you not, sir, to capital expenditures, the capital budget which has nothing to do with the tax rate? We would.

Now, I see by the Journal today that they have brought down a program, last night's council, of nearly \$23,000,000.00. The biggest ever. Now, if we are faced -- if the Mayor or the Commissioners see the cabinet and say, "Now, how much money can we expect from you to do all these various necessary works after we have cut out already quite a large part of them -- then we will have to arrange accordingly;" and if they say, "You are only going to get a million dollars instead of fourteen or fifteen million"-- well, in fact, I don't know what would happen. The City would come to a stop. But if they are going to say 13,000,000 --. Now, this is what I say to you in reply to the thing: is Wetaskiwin going to be treated in the same relationship as Edmonton, they having no utilities, we having very profitable ones-- I would say, yes; because the tax above all others that I have been fighting for from the Provincial Government is the non-allocated one, a straight amount per capita; and it is up to the municipal councils and school boards of every district to spend it as they think proper.

You know, of course, that we don't get anything, only a fraction of our relief from the government under that heading. It's hidden under -- they pay 60/40 or something on welfare, and they pay so much a classroom or so much a scholar for children, and those various kinds of things; but the thing that I think is the fairest of all is to get a per capita tax -- a per capita grant from the govern-

A (Cont.) ment so that every man, woman and child in every municipality in Alberta gets the same amount per head; and then it's up to the Councils in their wisdom or lack of it to spend it; but I don't like too many strings on this help. It gets so complex that you don't know whether you are losing or gaining on some of them.

Q Don't you think, Mr. Hodgson, there is a possibility that if the City of Edmonton gets married to the idea of getting a reduction of ten mills, the equivalent of the reduction of ten mills in its property rate through excess rate charges to its utility owners, that ultimately Edmonton may find itself in a position that instead of getting that extra money that is needed in Edmonton because of lack of tax base from the Provincial Government, that they are going to be getting it out of the utility owners in Edmonton, and go on doing that indefinitely?

A Well, as I say --.

Q Just a minute, just a minute! Isn't that a possibility? Do you admit that is a possibility?

A I would say it is an improbability: I can't see the possibility of it, because every year brings new problems and the thing is to keep pace with progress. I can't see that it would ever get to that stage; it is an ultimate that might be achieved ⁱⁿ Utopia. I can't see it in practical municipal affairs.

Q But you know that in practical municipal affairs now that the province takes into consideration to some extent the question of need in dealing with municipalities, don't you?

A That must be why we get so little. I never know what basis they use.

Q Do you know that that has been a factor: the question of need has been a factor in determining how much money the Province has given out to certain municipalities?

A Well, I think it should be and I am glad to hear that it is; because as I say: why can't every child in the country be kind of equalized, whether they are in a poorer district or a rich district? Why can't that be so that they should get a minimum standard education, and I think it is the Province's responsibility to give those people 80 percent, and I would never kick.

Q Well, if that is true, if we made the move in Alberta to municipal assistance in the Province based on need, if we are moving that way and Edmonton gets itself married to taking the equivalent of 10 mills off its utilities, off its utility owners every year, that's going to be a need possibly that the Province won't recognize, and they will let Edmonton go on doing it all the time.

A Well, that would not happen, sir, if they follow out the theme that they have now started.

You see, they first of all put strings on the Municipal Assistance Act, and I proved to them that it was impossible to operate because you have to cut down your mill rate by three mills before that portion of the grant was given to you; and I said, "How can the city keep on cutting down its mill rate by three? It's an awkward chore to get down three in the first place to qualify;" so when I took that up with Mr. Judge and the Minister they realized the reasonableness of it and they dropped it.

Well, now, I would say this would be the ideal system for provincial grants. I am quite in accord with what you say, and I think that they should give an absolute -- up

A (Cont.) to a standard where they give according to need. When that has been satisfied, everybody should get in addition an unconditional grant. I am certainly in favor of giving those who need it, the most.

Q Would you say that it is correct for me to presume that the City of Edmonton is taking the amount of money towards relief from general taxation out of its utilities because it feels that it has to do that rather than raising the mill rate on real property?

A Oh, I think it would be a factor with them. As I said -- Although it isn't consistent, and no proper financial man -- there is no proper financial approach to the thing -- nevertheless, there is a psychological factor in this mill rate that militates against you when you go to the money market. They say, "Oh, the deuce! You've got 60 mills; I'm not interested. I've got a city right here that's only got 30 mills, and they are selling some debentures-- I think I will buy theirs." Very foolish, but nevertheless psychologically it's true.

Now, it would have been a factor with us. Suppose when our rate was 64 mills, I wouldn't be surprised -- I know that at one time we were taking 15 and 16 mills on taxes from our utilities -- 15 and 16 mills. That would have put us into the 30s. Well, now, 80 -- and suppose Calgary was 40 that year -- nevertheless, Edmonton's taxes may have been less per capita than Calgary's, based on other factors which come into the matter; but I can't personally think, sir, I can't think of a fairer tax than that on a utility, because it comes in so regularly, you are sure of it, it is paid every month, you don't have to wait long periods and have bank overdrafts until your taxes

A (Cont.) are due. It comes in every month regularly all the year around.

Q And you think it's incidence is fair on the person taxed, do you?

A Oh, I think it is essentially a fair tax -- that is my experience of it.

Q On the incidence of the tax there certainly isn't any relation to the person's income, is there?

A No, none whatever; but, if a person's income is very small you know what happens: when they leave a room they cut the light off -- that's what switches are for, they say -- but a more wealthy person, more affluent, he leaves every light blazing, and he puts his porch light on -- well, we rejoice at such extravagance, but --

Q I would like to expand your statement just a bit further.

You know that during the war there were certain taxes put on certain things, and some of those taxes were ^{the} subject of a great deal of public disapproval.

A Yes.

Q By reason of the fact that they were taxing necessities.

A That's true.

Q Is that true?

A Yes.

Q Now, would you agree with me that electricity in Edmonton is a necessity in every home, and that gas is and that water is?

A Well, it isn't as necessary as water, but it is certainly in the very next step. How could you do -- what would the fire risk be in this city if we depended on candles or lamps or gasoline lamps? Look at the safety factor alone;

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A (Cont.) look at the effect on your eyes; look at the comfort of reading --

Q I am quite in agreement with all you say, that these things: electricity, water, gas -- that these things are all absolute necessities in every home; and I am suggesting to you that when you put 10 mills on that, when you take 10 mills off the property rate and put it on the utilities, that the incidence of that tax is heavier on people of low income than it is on the people of high income.

A I wonder if that would be so in relation to the use that they make of our utilities. Let us take even the telephone, a luxury. You can always tell when times are prosperous because everybody has got a phone. The first thing, the war happened, and Northwest Industries started up, and the first thing every kid wanted was a telephone to make dates with, but when hard times came they took them out by the thousands in the depression. They took them out by the thousands. It's a wonderful index of bad times and good, is the telephone users, now.

Wealthy people, what did they do? Why, they take extensions into their bedrooms; they don't even have to get out of bed to phone. Poor people can't afford that.

Q Would you answer me this question: what is the prospect for reduction in the electric light rates in the City of Edmonton under a public utilities system as practised here for the last 15 years?

A None whatever, I hope.

Q How do you expect to attract industries to this area where factors such as the cost of gas, the cost of electricity

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Q (Cont.) and the cost of all these things are costs in their production? How do you expect to attract industry, to get industry, even talking to the extent of compelling them to settle in the city, to come here and settle within the city limits, if you are going to subject them to all this taxation?

A I would think that one good method of bringing them here would be to put electric light rates up; because when we put electric lights up we make a great profit; but what do we do for industry? We set it below cost. While you and I pay $2\frac{1}{2}$ cents a kilowatt, the great firms -- take C.N.R. and Canada Packers, they only pay .8 of one cent -- 8 mills. I have discussed it with the electric light superintendent -- it is the principle, nearly in all places, to sell electricity in two parts: one at quite a substantial profit, and the other at a possible loss. You see, even when you make a loss on certain parts of electricity, if a fellow will take a load from you, equal, 24 hours of the day, why, that is a tremendous asset to a Power House! It is called the "off peak load"; but when you have to take primary load only -- and our primary load is between five and half past six of a night, everybody is cooking and the lights are on, but when you get a firm that goes day and night, when our fires are banked in the power house, all that is found money as far as we are concerned; so even while we might lose money between five and six o'clock, anything that we get at all, even one mill, is found money, between midnight and six in the morning.

Q Well, I quite understand that there is a difference between a steady consumer and a steady load, but your answer is,

Q (Cont.) as you tell me now, just this: that the more you increase the utility rate the unfairer that form of taxation is as against the small man; because you have told me now that the large firms are paying even perhaps less than cost for their power, --.

A At certain times, yes.

Q And so therefore it is that much more increased utility rates, and inevitably that much more penalty on the small man. Isn't that right?

A Well, I mean, the theory is quite simple all over the world. They say: what makes a city stable? It's by getting great works in, especially those that go outside.

(Laughter.)

We must get great works in so that our people are more prosperous, there are more pay rolls and more goods to buy in the stores.

Q But now we are back to this: as far as industry is concerned, and electricity, that the burden of the higher rate doesn't fall on industry, that it falls then on the home owner?

A That's right, deliberately so.

Q Well, that's what I suggested a while ago but you didn't admit that, Mr. Hodgson.

A I'm sorry; I perhaps misunderstood; but I certainly agree with encouraging industry because it helps, by the payrolls that they produce, to pay the high rates of the retail of electricity.

Q Now, I wonder if you would turn to page 58: power, water supply and purification plant? The statement of

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Q (Cont.) expenditure and revenue: now, just in terms of odd figures I have marked down here that the revenue of the power plant in 1953 was \$3,550,000.00.

A \$3,553,000.00, is correct, yes.

Q I am just taking it to the odd thousand.

A That's right.

Q Now, I would like you to examine some of the items in this power plant statement. There is one item: depreciation on assets required by way of plant expansion reserve.

A Yes.

Q Roughly speaking that is \$200,000.00. Another one: taxes, franchise -- now, this is the franchise tax on the power plant -- \$130,000.00. Now, you have to add together the purification plant and the power plant.

A Yes, we keep it in two parts for bookkeeping purposes.

Q It's \$130,000.00; and 5 percent of net revenue; you have to make two additions there -- to get \$130,000.00.

A Yes.

Q Profit, transferred to general revenue of City of Edmonton \$370,000.00.

A Yes.

Q And here is another profit item: plant extension reserve \$1,180,000.00.

A \$1,176,000.00 -- that's exactly right.

Q To the nearest 10 thousand?

A Yes.

Q Now, who set the rate at which the city power plant sells power to the electric light and power distribution system? Who actually fixes that rate?

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A The City Commissioners and City Council; there is nothing can be done except by the City Council. If ever we wanted to change that rate from 1.1 -- 1 cent and 1 mill -- we would have to get the consent in the estimates of the city council. But frequently they are changing, one with another; for instance, the electric light superintendent who sells retail used to be continually grumbling at one time that he was paying too much for his primary juice to the power plant, and they were making more profit than he was.

Q I don't blame him.

A That was just an internal fight.

Q Now, I have totaled these items, these four items here, and they come to \$2,060,000.00. Now, that is that \$200,000.00 item for plant extension reserve, taxes -- that's the franchise -- \$130,000.00; 5 percent on net revenue \$180,000.00; profit transferred to City of Edmonton \$370,000.00 and then we cleaned out a profit \$1,180,000.00 for plant extension ^{reserve} -- and the total of those items is \$2,060,000.00.

A Yes.

Q Now, then, to get back on the other side, the total revenue of the power plant is \$3,550,000.00?

A That's right.

Q And all these items in any businessman's statement that I have listed would be under the heading of profit.

A I would be inclined to think so, yes.

Q And do you know what that works out to? That the power plant is making a profit of 58 percent based on its revenue.

A I wouldn't be surprised.

Q Well, I would like to ask you this question: how far do you think this can be carried on? How far do you think

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Q (Cont.) this principle -- how far can this principle be carried on, that the city will go on selling power at a greatly excessive price to the power distribution system, and make more profit under the heading of power, water supply and purification plant, where people -- I respectfully submit -- don't see it -- because it's 58 percent there but if you make the same calculation on electric light, power distribution system, it only shows at 18 percent.

A Yes.

Q Roughly, comparing the two sides of the operation, on the distribution system it shows about 18.7 percent, but when you look at the power plant, 58 percent. I am suggesting to you that the city is deliberately keeping the price of power up high in the power plant to have the profits show there rather than in the electric light power and distribution system.

A You wouldn't be making a false assumption.

Q That is correct?

A I think so -- but for a good purpose.

Q So the people don't know.

A Oh, no, oh no, it's to get this eleven seventy six to buy a new turbine.

Now, this is the experience of the power plant, sir. It used to be a tremendous capitalized item there, one of the biggest; it's now the lowest of all, I think -- except perhaps the transit; but we just let a contract to Brown-Boveri before I left.

Q Well, quite apart from that turbine which I know was required, I want to discuss with you the principle of taking \$1,180,000.00 and charging that up indirectly in

- 3536 -

Q (Cont.) the electric light rates in Edmonton for the purpose of making a permanent investment in capital improvements to that extent out of one year's revenue.

A You see, there were times when we couldn't borrow money, and that was the only way in which we could keep the power house going. No matter how hard times are, when people come to Edmonton -- I'm not speaking of the present influx, but any time -- there is one thing that is very necessary to do, and that is to keep our utilities so that at all times we can give the services that are demanded of them; the one exception, of course, as you all very well know, is that we couldn't keep pace with telephones, because under war restrictions, metals, we couldn't get them; and every city in the world was under the same disability.

This saves the power plant having to go on the open market. It's quite true, as you say, we could give all this to the electric light distribution, the retail section of our plant, and then they would have all this, and they would show much more profit, and the power house would only work at cost and have to borrow all this money to keep the power house going; because this is the history of the power house in the last ten years, that no sooner do we get one authority of council to buy another thirty thousand kilowatt turbine and put up the necessary building and the boilers that go with it and all the other ancillary machinery -- we have no sooner let that contract than our draftsmen are working on the next unit. It comes every two years.

It's a good thing in that case to have that; but I say to you: your point is well taken: it is an arbitrary division of the profits, and a deliberate increase of the

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A (Cont.) rates; but this is the guiding point with our rates, perhaps, shall we say: that they do bear a fair comparison with any other city in western Canada.

Q Well, that brings up this question, Mr. Hodgson: we have certain natural advantages in Alberta and we have certain natural disadvantages. We have the natural advantage of being on a gas field, of having lots of coal.

A Yes.

Q We have the disadvantage of a small market for our manufactory, and a high freight rate to get it to where there are markets.

A Yes.

Q Is it your philosophy that the people here should not be able to take advantage, to enjoy their natural advantages in the low rates when they have to take the disadvantages that go with being located here?

A Who takes the disadvantage? You mean the manufacturer of the goods or his employees?

Q I mean the people here. Are we to be precluded from getting some of the benefit from our geographical position here in natural advantages when we have to take the disadvantages of our location otherwise?

A Well, I rather understood that up to now -- of course these big export factories make a change in the opposite direction -- but our big kick on freight rates was the goods coming in from the east and from the west. It wasn't the goods that we made, because up to now we have been almost entirely agrarian, and it did affect our wheat going to Fort William and Vancouver, if the rate was so many cents a bushel as against other people near the seaport.

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A (Cont.) But as regards goods going out we unfortunately haven't been in that position. We have been importers, oh, I suppose, to a very tremendous extent compared to exporters.

It would, as Mr. Davies as pointed out, become a factor against it, if we became really the store house of Canada and were able to make goods and send them all over the country; but our dependence, as you know, is on Ontario and Quebec.

Q Of course that's what we are trying to get away from and build up, perhaps, an industrial economy, too, in this province.

A Yes, and it also helps our agrarians, too. For instance, on the farm that I was born on we used the four year rotation. I never knew what summerfallow was until I came to this country, because we have to conserve moisture. There is no need to conserve moisture in my country, I might assure you. We had the four year rotation: wheat, oats, seed grass, followed by a root crop, and the ground was cultivated by the nodules from nitrogen and the manure put on the potatoes. But you can't do it -- unless you have got a great population that the farmers can all grow potatoes and things and ship them into the cities to sell; you have to depend on grain so greatly which goes into foreign countries.

Q Now, you told us this morning, Mr. Hodgson, that this set-up which was given to the city utilities system in Edmonton back in the '30s -- we aren't quite sure on the year, yet -- whereby they were charged a franchise tax, and 5% on revenue, that the genesis

as you know, is an old one, and that

of course there's what is to be

and build up, perhaps, in the future.

in this province.

Yes, and it also helps our interests.

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Q (Cont.) of that idea came from the gas franchise.

A I would think that would be correct; I know I put it in and I suppose that is the only place I could get it from.

Q Well, then, do you know, Mr. Hodgson, that the Edmonton gas franchise is the only gas franchise in Alberta that I have been able to come across which provides for a 5% tax on the gross revenue, and provides at the same time for the taxation of all of the property within the boundaries of the municipal area?

A I can only put it down to the business acumen of the people running the city in those days who started it.

Q Well, who pays this 5% tax?

A You and I pay it. It's another tax we get.

Q And do you call that business acumen or acumen or whatever it is -- do you call that business acumen that we go out and make an agreement with somebody that provides that they are going to collect a tax that they are going to charge back in our rates? Is that your definition of business acumen?

A Well, it probably wasn't taken on that basis when it was first put in; it was just treated as a source of revenue. Our tax collections in those days, as you know very well, with your long association here, were in a most precarious state -- and I doubt if we took it off if the Gas Company would pass it on.

Q Well, there isn't any reason why they shouldn't.

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A No reason whatever.

Q Now, I might outline to you the practices elsewhere: in Red Deer they have got a 5% gross revenue tax, but that exempts the property, the transmission and system within the City of Red Deer from any taxation, but ours doesn't here; -- and if at any time the City starts to tax the transmission system in Red Deer then the 5% of the gross comes off.

Lethbridge: no 5% tax on franchise, but they pay taxes on mains and other property.

Your competitor to the south, Calgary: no 5% tax, but they pay taxes on mains and property.

Bowness: no 5% tax.

Forestlawn: no 5% tax.

Jasper Place: 5% tax but no plant tax.

Beverly: that's the same.

In the M.D. of Strathcona where the Gas Company is distributing gas, there is no 5% tax.

Now, we come to the City of Edmonton and we have a 5% tax, and complete taxation of all the property, and that gets passed on back to the taxpayer.

A That's just what it means, yes.

Q So that when the City of Edmonton took as its standard for setting up its utilities the basis of the gas franchise, they happened -- quite unwittingly, apparently -- to take the gas franchise which was the most onerous on the people in the area of any that I can find.

A I wouldn't say 'unwittingly' -- we did it quite deliberately.

Q But it was one -- it was possibly about the second

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Q (Cont.) gas franchise in Alberta, at that time, wasn't it?

A South western, I think, were the first; we were the second. It was a good place to start: one in our own boundaries.

All these things are quite true. If we didn't do these things we could take them all out, and we could have a sixty or seventy mill rate; but, speaking as a finance man, having to go to the open markets of the world for so long, I think it was the part of wisdom to do it the way we did, even though we may be kidding ourselves -- nevertheless, it was a good factor, even if only psychological, in financing.

It is true that all these things are taxes. Just like the government's iniquitous sales tax: it is a hidden tax and gets to you at 20%, possibly.

Q Now, you told us also this morning that you had tried to set up your utilities in the city sometime in the '30s so that you would be treating them within the city limits as if they were a private company; and they would be subject to what a private company would be in the city in the way of taxation and so on; that's right, is it?

A That is right -- whatever the date was.

Q Would you have any objection to carrying that analogy to a further logical conclusion, and make the city utilities, then, subject to control as to rates by the Board of Public Utility Commissioners?

A No, I don't think that we should. That only applies to private companies. Private companies also pay

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A (Cont.) taxes to the province: they pay the 20% and the 49% on their profits to the Federal Government; but municipalities are exempt from all that and therefore they are in a different category.

Q I suppose you know that they are not exempt all over Canada, don't you?

A My only knowledge in this country is in our own province.

Q I might say for your information that there are many provinces in Canada where a municipally operated utility plant has its rates subject to public control.

A That could be.

Q My suggestion to you was that if you wished to take on the trappings of a private company in Edmonton for all your utilities, that you shouldn't have any objection to having your rates controlled by the Public Utility Board. Now, your answer to that is that you are not in favor of it?

A Well, I have been a great admirer of Mr. Blackstock for many years, but I don't quite carry my admiration to that extent.

(Uproarious laughter)

Q MR. DAVIES: Well, one other question -- I think I am about through, Mr. Chairman -- if Edmonton's boundaries should extend out into the industrial area, either in whole or in part, do you think that the industries there should be taxed with the extra 5% gas franchise tax of Edmonton, that they should have that added to their cost, and have all these other factors added to their costs in the supply of

which, before the province was created, was the
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Q (Cont.) their utilities?

A Yes, I was very much in favor of that course. As I said this morning, I read with a good deal of sympathy and I could appreciate the point of view of those people, and I think they made a good case, and any relief that I would give those I would give it to them in the same way as we gave it to Canada Packers. I would give it so that all these things remain so that we don't have two systems. Mr. Blackstock knows what we suffered with an inner and an outer zone. He had to manage it and give rulings on it and so on.

I would let all those things go as they are, but I would give relief to those people, based on straight assessment under this thing that Mr. Robison spoke of, the industrial -- the industrial rate seems to be a fair thing.

Q The only thing is, Mr. Hodgson, under that Act I think that the relief is limited to five years.

A I didn't hear any of the companies ask for more than five years, did they?

Q Well, Mr. Hodgson, one thing certain is if this philosophy is carried out in the Edmonton area, if there is any extension of boundaries they will have to pay the 5% tax on gas to the City of Edmonton, and have all sorts of other taxes charged into the utility rates, I don't know how you expect to compete with Calgary or some other centres -- .

A I can see your point there -- .

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A I think there is a good deal to say if the company is big -- one of them takes from thirty to fifty million feet a day, and that is a factor, yes, that would be a factor.

Q You told us this morning if you were a person who was going to locate an industry here, that if you came here you certainly would not locate in Edmonton where the taxes were high, but you would go into Strathcona where the taxes were lower.

A That would be a natural inference.

Q Wouldn't it be a natural inference also that if your industry used a large amount of gas and electricity and other utilities, and if you had your choice between an area of low rates and an area of high rates, that you would take your company to where they were lower?

A But you see -- .

Q Just a minute; I have asked you a question: isn't that the natural deduction from what you have told us this morning?

A It would be if all these rates applied there, but let's take Canadian Chemical: if they were in the city limits to-morrow they wouldn't pay us one cent. They don't come under the Board of Public Utility Commissioners; they have got a private contract with the Ajax Company to supply them for 20 years at ten cents a thousand, and that has nothing to do with us.

Now, under our franchise with Northwestern, it is only applicable to residential, and every firm

- 3545 -

A (Cont.) in Edmonton including our own power house -- we can get our wholesale supplied from any place we like. We do get it, as a matter of fact, from Northwestern Utilities from the Leduc field where it is cleaned, and so forth; but any firm in Edmonton can obtain gas, and they wouldn't pay one cent to the city; that's only for industrial purposes -- but they have an exclusive franchise on residences -- but not businesses.

Q But you are not telling us now that you don't collect the 5% tax off industrial users too in the city limits?

A Well, to the limited extent -- not like the great firms outside who are using that to manufacture chemicals from. I think that should come under a special category, and, if necessary, be covered by legislation -- because that would be a big factor, I can see your point there.

THE CHAIRMAN: Well, I have delayed the adjournment because I thought Mr. Davies was near the end of his examination. Now, are you -- ?

MR. DAVIES: Well, I would just like to adjourn, sir -- I may or may not continue, yes.

THE CHAIRMAN: Well, Mr. Robison, then when we come back you will begin, and if Mr. Davies has further questions we will have them.

MR. HODGSON: Very good, sir.

(At this point the Commission adjourned at 3:05 p.m. this date and reconvened at 3:15 p.m.)

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JOHN HODGSON, having been recalled on his former oath, examined by Commissioner Robison, testified as follows:

THE CHAIRMAN: Now, Mr. Robison, I think we are ready.

Q MR. ROBISON: Mr. Hodgson, I refer you to page 7 of your Brief, I want to go through two or three things in your Brief. This is just a small point but I would like to carify it. Reading in the middle of the paragraph as follows:

"Nothing else stands out except Building Construc-
tion, surely due to oil expansion, so it can be
assumed that the consequences, good and bad ..."
Is it not a fact that in the Province of Alberta
they were not able to take advantage of the Dominion
Housing Act after its passage, I think in 1935, the
last Province to come in, and that there was a great
lag in this Province of building?

A That's right, it was under a certain Provincial Act,
wasn't it?

Q Yes, it was, and you would agree there was a great
lag in this Province, we were behind the other
provinces, and after the war together with the war
problems that we had to pick up that lag together
with our war growth?

A That's right.

Q And it has not all been due to oil expansion?

A Well, I would say this, sir, that since the oil
there was that lag because we were not able to take
advantage of N.H.A. because of this Provincial

have been recalled on his former visit.

and it is, I think, a pity

Mr. Robinson: Mr. Hodgson, I am sorry

of your visit. I want to go through two

things in your visit. This is just

but I would like to carry it

of the paragraph as follows:

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That's right, it was

would it?

Yes, it was, and you would

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A (Cont'd) Legislation until it was amended.

Q That's right.

A But I would say, I would say, sir, that, from what I know of it, that the overcrowding and living in basements has been much more prevalent in the last five or six years than it was even in the first case. In fact, it has come to be accepted now that any new house provides some accommodation in the basement, ostensibly for their own family, but you know what happens in a very short time, there is outsiders in.

Q Yes, but there was that lag?

A We can't prosecute them because we would have to take several thousands of people into Court.

Q Yes, we have the same problem in Calgary.

A You must have.

Q Now, turning to page 8 where you speak underneath the figures as follows:

"The two School Boards have also benefitted from increased grants, receiving 9.39% of their total income from this source in 1947 and 15.04% in 1954."

Now, in Calgary, speaking of education, Commissioner Batchelor stated that the Province should contribute 50% to educational costs; what have you to say about that?

A I couldn't agree with him, sir, I couldn't agree with him on, shall we say, what grounds, not humanitarian but in the sense of fair play because as Commissioner Davies has pointed out, and he knows a lot more about education with his experience, long experience in

A (Cont'd) Alberta than I do, it is not right that Calgary and Edmonton or Toronto or Victoria should get 50% the same as Manyberries or somebody in the back of beyond where they have no very high values and their children would be in a deplorable state, they wouldn't be able to get past grade two, some of them, if it was a matter of finance. No, I would not think that Calgary and Edmonton should get 50%. If ever they got to 30% of their costs it would be a great case for rejoicing.

Q All right, you don't agree then?

A No.

Q What about the recommendation from Calgary that the hospitalization, the hospital costs should be taken entirely off property and that the Province should assume 100% of the costs, what would be your reaction to that?

A You mean go 100% state medicine?

Q Well, hospitalization costs should be taken off the mill rate completely as in B.C. and Saskatchewan.

A Well, that is worth considering, that suggestion of Mr. Eatchelor's, it is worth considering, and with all the new things, and I understand that there is more help coming in the next budget from the meeting that I was in in Calgary, that would be perhaps a good way of giving additional help to the cities because, in fact it would not suit Dr. Cross because when he put on the two mills he would have had to put four mills on to achieve the same result, if he had applied it to only

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A (Cont'd) those who got a benefit from it. When you have got an assessment roll of 50-50, we hope, it means that business firms who get no benefit from the Hospitalization Act are helping we who are householders. Now, if he did that it would take the onus entirely off business and, and I can't say whether it is right or wrong, possibly it can't be defended. I don't like to impose any tax on anybody for which they receive no benefit; they should get some benefit for the taxes they pay.

Q Would you express an opinion as to whether the hospital charges should be a levy on the property; do you agree with what they have done in B.C. and Saskatchewan?

A Oh, well, I had discussed this often with the Doctor and he is always deriding the B. C. and anybody else's in favour of his own and there may be some merit in what he says. I think it is quite a fair tax, two mills I think it is at the present time or maybe, yes, we have got, yes, we have got what, 500,000, no, we have got more than two mills in our budget for 1954 because the budget figure was \$500,000.00; I would say that we have got more than two and a half mills in there, between there and three mills right now; but, put it on the ordinary home, let us say a \$4,000.00 with an assessment on a \$10,000.00 home, that give you about a \$8.00 tax, \$8.00 or \$10.00 tax.

Q Is it a fair charge on the property?

A Well, it is a fair charge on property where a person

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A (Cont'd) is living in their own home, yes, because it is unlimited in its scope, not only the father and the mother, but all the children come under it, except they are working and then, of course, they must take out a contract, but it is fair enough in that respect, but it was put on, I am quite sure, to get the, to take advantage of the commercial assessment.

Q All right. Page 8 again, at the bottom of the page, starting at the paragraph reading:

"In reading the report on the amalgamation of the thirteen municipalities which now constitute Greater Toronto, it is interesting to note that the Province of Ontario is making an annual grant for five years to the new Metropolitan Corporation of \$4.00 per capita --"

A Yes.

Q Now, assume that we have amalgamation in these, in these two cities, and assume that the plea of the rate payers in these fringe areas like Bowness, Montgomery, Beverly, Jasper Place, that their services be brought up to the service level of the cities for health and other reasons, assume that, assume all that, would you be in favour of the Province making a special grant of, say, I think we heard the figure of \$3,000,000.00 in Calgary, to bring those services ^{up} to the level of Calgary in those areas, would you be in favour of the Province doing that?

A You are speaking now, sir, of a capital grant for capital works?

Q That's right.

A It could take that form or it could take an operating, the same as we had here, but with the increased assessment that we would get if the amalgamation proposed by the City went into effect it would so enlarge our base that I doubt very much with a population of 13,000 and 3,500 there that we would be embarrassed to any extent, but, nevertheless, I think it would be a good thing out of the affluence of the Province, it would be a splendid thing if they would give that to bring these things up to standard without having any overhang of costs for years and years afterwards, bring them right up to date, but I would much rather, sir, have an annual grant for current purposes if we can't get both.

Q Supposing that it is going to cost \$3,000,000.00 to bring them up to the level of Edmonton, for the sake of argument?

A Yes.

Q And that the Utility people have figured out that it will take \$600,000.00 a year; would you be in favour of the Province making an ad hoc grant each year of \$600,000.00?

A For a limited period, do you mean, sir?

Q Yes, five years.

A Until they were brought up to standard?

Q Five years?

A Oh, five years?

Q Yes, five years at \$600,000.00 a year?

A Oh, yes, you mean that the total would be \$3,000,000.00

A (Cont'd) at \$600,000.00 a year. Well, I think it would be a splendid gesture and have a very practical effect.

Q All right, or should it be in the form of a loan?

A No, I am not in favour of loans, I like gifts best.

Q Well, I am just thinking of the relationship of other municipalities throughout the Province?

A Well, I made a mention here, sir, in my Brief about while the Province have done all these things it was not in the nature of a special grant to Edmonton and Calgary but when I say those two I also include places like Stettler that I understand have been very hard hit municipally by being surrounded by oil. But I think that they or anybody who can present a special case should get special consideration, and only after that should all general grants apply.

Q Yes.

A But certainly we have got, Calgary and Edmonton have got special cases, I mean the rate of our expenditures is phenomenal.

Q Now, in your direct examination, Mr. Hodgson, you calculated, if I am not mistaken, that every person coming into the City costs the City between \$200.00 and \$250.00?

A Yes.

Q What is your basis for that statement?

A The basis for that statement, sir, was, it was the basis, on page 3 I took the average of what it cost us to cover our own people and I went out and I took

A (Cont'd) a statement and the last figure, if I remember, it came down to as high as \$250.00 by reason of our budget going up so extraordinarily high due to such a large influx of immigrants as compared to the natural increase of births over deaths.

Q I see, I see.

A And, therefore, if we had only had, if we had only had 10,000, 5,000 people come in, the cost would have been 5,000 at \$250.00 as against 10,000 at the same figure.

Q I see, I get it.

A I applied it mostly against immigrants.

Q What would be the tax arrears of the City of Edmonton at the present time, the reserves?

A The tax arrears of the City of Edmonton at the 31st of December, 1953 were \$762,000.00.

Q And you stated --

A At the end of 1954 they will be less than that because we collected in arrears and current up to over 100%.

Q Therefore, you won't have the reserves in tax arrears that you had in other years?

A Oh, the reserve in tax arrears, sir, is getting down to infinitesimal. I did have it down before I left to three hundred and something, but now it has crept up, I notice with the bigger levy and more assessment to \$760,000.00, but, oh, that is not a very big factor.

Q No.

A The big factor, although it is called tax arrears, never in my life did I use one cent of tax sale lands. In theory they are tax arrears because they came to us because people didn't pay their taxes, but when the money came in every cent of all those millions I put into capital expenditures or in capital works to avoid capital expenditures, but we could take them in but we never have done.

Q Would you say, Mr. Hodgson, that Edmonton's main problem at the moment is a financial problem and not a planning problem or would you say it was planning and not financial?

A What besides financial, sir?

Q Planning?

A Planning?

Q Yes?

A Well, that is certainly quite a problem, and if people knew what town planning had cost, it has cost far more than their estimates ever show because when I was Commissioner there was hardly a week passed that the Land Department didn't come to me and say "Now, can you dig up \$10,000.00 or so, there is a house here that is obstructing Mr. Dant in his planning of a new subdivision.". It would interfere with making some of his curves which disguise the house numbers so well that he could not be put into effect.

Q Well, I gather --

A Planning has cost us hundreds of thousands of dollars.

Q But is the problem facing you in this City at the

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Q (Cont'd) present time, is it a financial problem more than a planning problem?

A I would say it is neither, I would say it was a boundary problem at the present time.

Q Well, isn't that a planning problem, boundary?

A That would have to come under planning, yes.

Q Then you would say it is a planning problem?

A Oh, predominantly so in that aspect, yes.

Q All right. Now, I am going to get back into Mr. Commissioner Davies' field for a moment and talk about utilities.

A Yes.

Q Apparently you have taxed these, used these utilities to derive revenue?

A Deliberately, yes.

Q And quite frankly that is what you have done?

A Yes.

Q You have not sought --

A Council policy.

Q That's right, and it has been a matter of expediency, is that correct?

A It was in the first place, very much so, and at the present time, depends what application you give to the term "expediency", it is a matter of policy I would say rather than expediency.

Q Is it equitable?

A Yes, I maintain it is the most equitable tax we have, far more equitable than the real estate tax.

Q All right. Now, let us go a step further, I am wondering why in setting up assessments on these

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- Q (Cont'd) utilities to provide the tax that the assessment used is not the assessment that is levied on industry of all kinds in the City, and apply the same mill rate, what would be the matter with that?
- A Well, as I said, I first of all when I brought that up before Council I did put it on that basis, but it so swamped the Street Railway Department, which was such a white elephant, that it would have put their deficit into more hundreds of thousands of dollars so that we abandoned that feature only.
- Q Well, why, to be strictly logical, why should the fact that there are deficits in the Street Railway have any bearing on the approach to assessment of all your utilities; in other words, if you remain strictly logical --
- A In logic alone I couldn't argue with you.
- Q All right, but to go a step further at that point, if you are going to provide services at cost, to all your people in the City in your utilities you should on that same basis put your services in the Street Railway, triple the fare, say, shouldn't you?
- A Exactly, well, at least double that, probably.
- Q Yes, to make it pay its way?
- A Yes, definitely.
- Q Is there anything wrong or inequitable about that?
- A No, there is not, it is just a matter of, not of equity but a matter of use; it has come to be recognized for the last twenty-five years, not so much with us as with others, that any transit system was

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A (Cont'd) a white elephant and you could not charge the proper rates to give it, make it effective on a normal basis, and ours is no different from the rest.

Q Well, you could set it up on the basis of the Electric Power Taxation Act where you have got some similar basis to that?

A Isn't that limited to 10 mills, sir?

Q Yes, you would recognize a special situation.

A Yes.

Q But let me ask you this question, supposing, Mr. Hodgson, that you apply the same assessment principles and rates to your public utilities in the City of Edmonton as are applied to all commercial and industrial enterprises, you have the same mill rate, what difference, could you tell the Commission what difference there would be up or down in dollars derived?

A Well, this is the basis we work on, if the other four utilities make \$500,000.00 each, shall we say, that gives you \$2,000,000.00, and the Street Railway makes a loss of \$500,000.00, we put them all together and we just take the net result into our revenue account.

Q Yes, but my question, you have not understood my question, my question is this, if you applied the same assessment principles to the utilities that you apply to industries, and the same mill rate, would it give you greater revenue from them than you now get under this special assessment provision?

A What difference, I don't quite get the difference you mean. Do you mean to say that in addition to

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A (Cont'd) the 5% on gross revenue and the 53 or whatever the mill rate is on the \$10,000,500.00 franchise amount, to add also the normal taxes like we do on the gas company onto the land and the buildings that they have?

Q Well, let's do it this way because it seems to me we are getting involved. Supposing that you said to the Assessment Department of the City of Edmonton tomorrow morning "I want you to go out and assess all the ^{public} utilities tomorrow morning, starting tomorrow morning."?

A You mean on the same basis we would on any ordinary, say, Swift Canadian?

Q That's right, "We want you to go out and assess them.".

A Yes.

Q Now, you have got a certain mill rate, then apply that mill rate to the resulting assessments.

A Yes.

Q Now, would you have more, never mind special franchise taxes, a straight assessment, would you derive more revenue from the utilities on that basis than you presently derive from them?

A I would think that we would have considerably more, sir.

Q Well, then, in principle, in principle, what is wrong with assessing the utilities on the same basis as everybody else?

A I can see no objection to it, it was I who ^{first} put them on the roll at all, but I can see no objection

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Q. Now, you would be a part of it, is

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the building, they have?

Q. Well, let's do it this way, because

A (Cont'd) to taking to the ultimate conclusion.

Q Well, I think if we are to be logical that is what ought to be done?

A I cannot deny the logic of it.

Q Well, I am glad you agree. In talking to the C.N.R., I will come back to assessments again, Mr. Hodgson, but in talking to the C.N.R. you said that they expected a city of 500,000 and are planning their marshalling yards and other things on that basis?

A I had that statement given to me by one of their executives.

Q Now, do you feel, you said something to the effect that you felt that Dant's green belt plan not ambitious enough; do you think, sir, that that plan of the city that we now have before us is ample enough?

A Well, if it will take us for 20 years, and I can't say as to that, I would say it was ample, it would be ample if it would take us at least two decades, three better still, of course, and, of course, you don't want these kind of appeals every five years.

Q Well, I just wondered when you said that Mr. Dant's green belt plan was not ambitious enough, I wondered what you meant?

A Oh, well, no, it was the C.N.R. who objected to Mr. Dant's green belt cutting them off from what might be the ultimate Edmonton, natural development, if there was not town planning; and they said "Now, if Dant says that Edmonton is only going to have

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A (Cont'd) 300,000 people and if any more than that come in you have to go 15 and 20 miles out and begin modern satellites --", he said "We don't agree with that because --" he says, "Our view is that Edmonton will go possibly up to 500,000 people."; and I suppose they are laying their marshalling yards out with that possibility in view.

Q Yes.

A Maybe the C.P.R. have, the C.P.R. are too, they are talking of going out into Scona, of course.

Q Well, that clears that up so far as I am concerned. Now, there is something else I would like to ask you. What about this airport site in the City of Edmonton, I would like your views as to whether that airport should be moved and the site thrown open for development?

A Yes, I suppose, I suppose it was inevitable that that airport had to be moved. You see, if we hadn't made the mistake of coming south of the East-West line of the Grand Trunk Railway and gone north instead it would have been there for all time, and we had the land because all the 750 acres comprising the present airport was practically tax sale land. Practically tax sale land, and if we had gone there, but, what will eventually happen I think under town planning, that there will be an extension, you know, of our industrial warehouses and so forth that have been built on the base south of Kingsway, between there and Eleventh, they will probably extend up the tracks to Calder possibly, but I think that a great part of

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A (Cont'd) the airport, if it was abandoned tomorrow would be designated as the new major park that we need, and the rest houses.

Q Yes, in other words you think that area should be released?

A Oh, I think so. After all, it is right in the middle of the city and I have often wondered why we didn't have a major crash long ago.

Q You and I both. Now, I understood that Mr. Brownlee, and correct me if I am wrong, that we were to be given a list of the prospective subdivisions, prospective subdivision developments in Strathcona, am I right?

MR. BROWNLEE: Yes, it is, I understand it is in the course of preparation but I don't think we have it here yet, sir.

THE CHAIRMAN: No, he said tomorrow, Mr. Brownlee, Mr. Hawkins.

Q MR. ROBISON: Oh, we may expect it tomorrow, then?

MR. BROWNLEE: Yes, I will certainly check on it.

Q MR. ROBISON; Well then, there are, Mr. Hodgson, several apparently 8 or 9, someone suggested, I think, around 8 prospective subdivisions out in Strathcona, fairly close in, but some of them lying outside the proposed boundaries of the City.

A Like Campbellton?

Q Like Campbellton, Bailey and others. Now, assume that amalgamation takes place, let's assume that it takes place, should the municipality, this adjoining municipality proceed to set up subdivisions apart from this enlarged area or should that matter

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Q (Cont'd) be controlled in some way by the District Planning Commission?

A Oh, as I think I said yesterday, sir, that it is no good doing this if somebody is allowed to put another Celanese or C.I.L. another mile down the river, we will just be in the same mess as now.

Q All right, now, let us go a step further; you have got, for the sake of argument, 8 or 9 proposed subdivision developments outside these new or enlarged areas.

A Yes.

Q What would you do in respect to them?

A Well, if they are prospective, prospective West Jasper Places and Beverly's, I would like to see them abandoned because they are only going to cause grief again, I mean we have enough excretions around here without creating any more.

Q Well, isn't it a fact that when the density of population in a rural area reaches a certain point, some say six, some say four, but when that density reaches a certain point that the almost universal experience is that they seek to set themselves up as a separate municipal corporation?

A I understand that that is the history of nearly all cases, and it happened to my knowledge, of course, in West Jasper Place, because I saw it happen.

Q Well, assume that you have got 8 or 9 developments out there, would you expect that in a short period of time, relatively short, that you might have a

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Q (Cont'd) new municipal corporation sought by the inhabitants of those subdivisions?

A I would very much regret it if it was at all possible to prevent it, we have had too much bother now with people outside the boundaries and all the problems that they create because the first thing they do when they get to a certain stage, they have a petition to be incorporated in the major city, and it makes your boundaries, well, if they are going to go several miles more, it makes the matter of administration not quite so good as having a compact place.

Q Well, what about Campbellton, you see Campbellton there on that map?

A Well, I never was in favour of Campbellton, I am not to blame for that one.

Q Well, would your judgment be that if Campbellton is going to go ahead and be developed, and I don't know the exact status of it at the moment, but should Campbellton be encompassed within these new city limits?

A I think it should take a little jog round them and include it and then we wouldn't have, we wouldn't be faced with another government pestering us all the time for this improvement and that improvement, water, sewer service and all the rest, no, I think it should encompass those, but I was not aware that you had a succession of those in the district, Mr. Brownlee, I didn't know, I hadn't been around there lately. Are they of any size, are they much population?

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Q Well, I don't know myself, we are to be given information on them tomorrow.

A Well, I was hoping every day that Campbellton had been quashed but it seems to keep alive.

DR. HARRIES: One thing that may be useful to the Commission, there are figures on population in connection with the subdivisions in our Brief and one example that we have analysed and will present evidence on before the Commission is the Bailey subdivision, Number 1, which is out beyond Campbellton and which contains now a total number of occupants, seventy-four; so that we are not talking about potential at all and I think that is where you misunderstood us yesterday, we are talking about a community that is actually there, it's not a promotion nor not a potential subdivision.

A They are there now, of course, they come under the jurisdiction of the Municipal District that you so ably represent; well, they come naturally under rural residences, I suppose, or have they got to the "hamlet" stage, is that where they will end up in?

DR. HARRIES: Right now they are just subdivisions in a municipality.

A I don't know what the word "subdivision" means in your government.

DR. HARRIES: It means they have a cow and three acres.

Q MR. ROBISON: Well, let's get back here now. I want to talk about housing for a moment, and then

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Q (Cont'd) carry on with what we have been discussing; I think you would admit, Mr. Hodgson, that there are some areas of blight, residential blight in the City of Edmonton at the present time, what the planners would call "blight", not slums necessarily but blight?

A I think so. Are you speaking of places like Camp 550 and those things?

Q Well, I am not familiar enough with the City to recognize that.

A Those I would regard as being in the "blight" class. yes.

Q Now, listen, would these areas of blight, would the tendency be to accentuate these areas of blight within the city limits by the same conditions as cause new prosperous areas to develop in the outlying sections in these subdivisions, do you see what I mean?

A No, we wont have any trouble in the city because we will simply tear them down and put proper places in their stead.

Q Have you torn any down?

A Yes, we have indeed, we have torn the greatest blight or blister of all, what we call the "Stout houses", they were on the, opposite to where, you know where the Minora curling rink is on Queen Elizabeth Avenue, they were between there and Alberta Avenue, Eighteenth Avenue, in the area where I believe the Simpson-Sears and these people are now going to go. We got those as a gift from the Army, they were 15 feet square and we charged \$10.00 a

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A (Cont'd) month for them and we supplied heat, light and water for that.

Q Well, here is what I am driving at --

A But we have pulled everyone down and torn them out.

Q If you have got a labour pool in the City of Edmonton and a lot of them, a lot of people in this City are living in sub-standard housing?

A Very much so.

Q And in the City of Calgary and in the, in every city.

A I suppose.

Q Now, that labour pool is housed in the City at the present time; now, on the outskirts of the City, beyond any possible City limits, are developing small subdivisions: now, won't the tendency be to further depress and lower your tax revenues within the City and increase the residential development on the outskirts?

A If it was allowed to continue, yes, but that is why I was hoping that one result of the deliberations of this body would be that out of it it was impressed upon the government that we must have an overriding body. I don't mind the appeal from their decision to the Public Utility Board but that is the limit I would go and that they would be forced to observe shall we say the Province would do it, and overlook it, but certainly I think from the bitter experience that I have seen in this enquiry that these things should not be allowed to continue in the future or to start afresh.

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Q All right. Now, are you familiar with the Alberta Housing Act, Mr. Hodgson, passed in 1945?

A No, I am not, sir.

Q Has the City of Edmonton done anything with respect to subsidized housing?

A The one subsidized housing that we have is what we call the "Dawson Creek Scheme" and the government, as you know, they lent us a million dollars to start it with. We brought down all the American huts from Dawson Creek by rail and we re-erected them in a very fine manner, in fact, you would never recognize them today. I believe there are several suites under one roof, and they are very fine accommodation, and they are much sought after, in fact so much so that we have had to limit, the City has had to limit the salary of any person who lives in them and they crept in from time to time, we found men with four and five and six thousand dollars a year living in those places. Well, when I tell you that the all-inclusive rent was anywhere from \$28.00 to \$39.00, including two and three bedrooms, it was defeating the purpose of the Provincial Government and ourselves. Now, we bear that cost, we paid back from the rents that we received, and put them into a trust fund, and if we have any deficits the Province and the City bear them equally. There have been no deficits to date, sir, because when we got a little behind, why, we put the rents up \$3.00 from \$36.00 to \$39.00, and that kept us on an even keel: but those, even those won't last forever because when you get in a one-family dwelling four or five units in one

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A (Cont'd) place and the children, they are mixed, no, the ideal to aim at, I would say, would be individual homes.

Q Well now, one of the problems as I see it in Calgary and in Edmonton has been the inability of people, working people, to obtain accommodation in the city limits that they can afford, therefore they have been forced to go out to the outskirts, like Bowness, Montgomery, and Jasper Place and Beverly in this City, and they have not been able to pay the rents in the, what Mr. Dant calls the "urban core"; now, have you any views on the responsibility of the City or the Province to provide housing accommodation for people of that kind who cannot measure up to the necessary standards of the National Housing Act?

A I don't know, it seems a striking commentary on our civilization in the Twentieth century that we have got people permanently employed and paid wages at less than they can live on: I think it is a ridiculous commentary on our present civilization, but nevertheless individuals and cities cannot handle it. It is not right that people should have to work for less wages than they can bring up their families, even on a very low standard.

Q Well, does the City think --

A But, nevertheless, if they have it is a problem that I am no Solomon to solve, I wouldn't know how to answer it.

Q How can you guarantee that fringe areas won't develop again apart from strong planning when persons of that

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Q (Cont'd) kind cannot obtain reasonable housing accommodation?

A Well, I think it would be a good way to bring it to a head and have a District Commission with some teeth in it and some authority that can be enforced; and if such a condition arises around any of these places I think it is about time that the Provincial and Federal level, that they did something about it. After all, in the City of Edmonton we have a minimum wage set by Council which gives a labourer probably \$225.00 a month and yet I hear of people who, recently, were only getting \$120.00 and \$150.00 a month.

xxxxxxxxxxxxxx

THE END

Q But the labor that you speak of cannot qualify under the N.H.A.?

A Oh, no.

Q And how are you going to provide housing for him?

A I understand that under N.H.A. you have to have a minimum salary of somewhere around \$300.00 a month.

Q That's right.

A And they would never qualify.

Q But what are you going to do for that large group of people, that is what caused Bowness and Montgomery to develop?

A I would say that I had enough trouble with finance, I cannot solve all the world's troubles in this --

Q Well, I would think you would have some strong opinions on housing.

A Yes, I have strong opinions on minimum wages, certainly, I am all in favor of them.

Q All right.

A And even if some of our laborers do come to work in motor cars, that is their fault, they are short of grub or something.

Q Now, let's get into this matter of assessment, now I imagine you know something about assessments?

A Well, I would like to say this, that like Lowe I leave it to those people who are experts on it and all I look for is how much they can give me to increase my tax revenue in the succeeding year; I may know a little more than that but not much.

Q Well then, we will just see. The improvements in the City of Edmonton for commercial and industrial purposes are at 60% as you know, and in Calgary, and

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Q (Cont.) your residences here are at 50%?

A That's right.

Q My question is this, and I asked the same question in Calgary, why shouldn't all the improvements go in at 100% the same as the land?

A I am one of the advocates of that principle.

Q Well now, they presented to this Commission in Calgary a document purporting to show, and which did show indeed, that the burden bore more heavily when you increased that from 60 to 100 percent, the burden bore more heavily on the smaller dwellings and, inferentially, you would think then on the people less able to pay the tax; would you have any idea or have you ever heard of any study along that line? You see, there are all kinds of municipalities levying 100%, urban municipalities.

A Yes, I made a survey one time and they went anywhere from 25% to 100, that is correct.

Q But you would be in favor of all improvements at 100%?

A That is the principle that I here enunciated in all my trips down in the States with the municipal finance officers. There, when I sent the figures for Edmonton and I had to put 50% for residences and 60% for business, they had their trouble, Mr. C. E. Writer of Detroit of the Municipal Research, he had the trouble of correlating it all to the American principle of 100%, 100% for both.

Q Yes?

A It does I think perhaps affect the little fellow a little in the first case, but it is what you get used

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W. G. B. B. B.

It is the same as the first.

A. I am not the advocate of any one.

I will not say anything to the effect of

any document or statement to the effect of

showing that the same is the same.

It is not necessary that the same

should be more heavily on the same

and the same is the same.

It is not necessary that the same

or have you ever heard of any one

You see, there are all kinds of

100% urban municipalities.

It is not necessary that the same

from 1910 to 1920, that

But you would be in favor of all

It is the same as the first.

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It is the same as the first.

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It is the same as the first.

It is the same as the first.

- A (Cont.) to, you put in a new system^{and} in five years everybody takes it for granted, but in the first case it rather hits some of the people harder than otherwise.
- Q Would you be in favor, you may not have thought of this, would you be in favor of taking the assessment provisions out of The City Act and putting the whole thing under The Assessment Act; I am thinking of uniformity in assessment, and the Province is moving in that direction?
- A I see, well, as a financial man I am all in favor of uniformity because if there is one thing, it is so hard to make comparisons, and I have had to make comparisons of all the cities of Canada and America many times. It is an awful difficult thing, to get these comparisons accurate when everybody uses a different basis, and if you are going to speak of universal uniformity I would have some sympathy towards you.
- Q Well, that's what I am thinking about.
- A Yes.
- Q I may not have said it just like that.
- A Yes, it would certainly save a great deal of grinding work.
- Q And you would say that if it contributed to further uniformity you would be in favor of it?
- A I am in favor of uniformity, yes.
- Q All right. Now, let us think of the situation in Strathcona, I understand the mill rate there is 25 mills at the present time. Now, where an industry

Q (Cont.) may be interested in the tax feature when they are moving in to set up a new, in a new location, and we have had evidence that some of them are interested in taxes, and they look at the municipality of Strathcona with 25 mills, and I come from Calgary where the mill rate is 40, 48; now, I ask you this question, is that fair, is that fair that because of a special situation on the outskirts of the City of Edmonton that industries possibly can be attracted here through a mill rate that is half of the mill rate in another municipality?

A No, that is the purpose of my brief, to show the unfairness of it.

Q Well, you are thinking of Edmonton, I am thinking of Calgary, is it fair to other municipalities in this Province?

A Any remarks about Edmonton would apply equally to Calgary as I mentioned in my brief, I associate Calgary also with a lot of my remarks.

Q Well, I am glad you think Calgary is contiguous to Strathcona, Mr. Hodgson.

A Well, the way Edmonton was growing people were speaking of getting a transfer to Calgary on the street car one time.

Q All right. Well, you are in favor of uniformity and you are in favor of the fact that we should be fair to other areas, in other words, what I am leading up to, should the Province have more to do with the assessment of heavy industries?

A Oh, on industry outside of land?

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Get the end, Mr. Holt

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Q On heavy industries, you see the Province has undertaken now on the basis of uniformity some pipe line assessment and electric power assessment, you know that as well as I do, and there are other areas that got out an assessment manual; should the Province move further into this field and say to a municipality like Strathcona or any other municipality, Calgary or Edmonton, "Look, we are going to assess on a uniform basis all heavy industries and allocate the proceeds on some formula." What do you think of that?

A When you say on one basis, it would have regard to costs, of course?

Q Well, whatever basis it was it would be uniform and they would be assessed on the same basis whether they went to Calgary or Strathcona, Edmonton or Edson?

A Well, I am also in favor -- but I only had land in mind, Mr. Robison, at the time when I was speaking to Mr. Judge and others, and Mr. Judge is quite an expert, and Mr. Forbes, on assessment; I was speaking of the tremendous increase in the assessment of land at Calgary and that we should have a base somewhere. I said "Is it not possible for you people to enlarge your staff and get down to the basis where you can assess all the land in Alberta so that we can cut out all these discriminations in values between different places". I said "I don't care where you take the centre, but let us have something that will take out all these differences in assessed values of land.", and I had land in mind particularly. I

the assessment
you know that as we
mean that for our
the Province now that
to a municipality
in California, California
going to assess on
industries and interests
What do you think?

they want to collect
Bacon?

for the same reason
and Mr. Gordon, in
the same manner they
at California and that
I said "Is it not
itself and not from

A (Cont.) hadn't given any thought to the matter that they might go into buildings although --

Q Heavy industries, those industries that are interested in freight rates, that sell in foreign markets and where competition and the dollar --

A I think it perhaps might be a good thing because we might have a handle then to get some help out of the Province if they are involved in this thing; and, so, well, if you want to bring an industry to Alberta, and we all want it, you are acting on my behalf, and we thank you for being so diligent, perhaps it might be that they are getting the revenues, they are getting a minimum of three quarters of a cent per thousand feet of gas royalty, and it might be a good thing to do that and the Province itself contributes something towards bringing industry to these places.

Q Well, as a responsible municipal official for 40 years, I understand, would you say that competition between municipalities for industries is moving out or is it still a factor that must be taken into consideration?

A Well, it is moving out in regard to the, as to what the promises that you can make to people to come in, to give them this, that and everything, and leave yourself poorer than when you started, because the Province stopped us from doing that.

Q That's right.

A Under legislation, and very rightly so, because, but, the whole Province, I am not quite so sure, I would have to give that some thought.

as you say

I believe it has been right for a long

time have been in the hands of

of the Province of the

and, so, well, it would seem to be

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you will be better than what we

Province of the

with it

it is a very little as far as

value,

Q Well, is competition of the kind I have cited a good thing?

A Well, would you say --

Q On the mill rate basis?

A Well, would you say then, is it your viewpoint that rather that the Province should be an arbiter as to where any more industries should come into Alberta?

Q No, no.

A Oh!

Q By no means, all I am saying is, asking you is whether more uniformity in assessment might be arrived at were the Province to assess heavy industries?

A Well, I wouldn't be against it, I don't think; I would have to give it some study, it is a new phase where the government comes into private municipal affairs in that nature.

Q They are doing it now in other areas.

A They are?

Q Province-wide.

A Then if they are doing it in other areas why should it not be done province-wide?

Q All right. Are you familiar with any of the presentations made in Calgary at all, Mr. Hodgson?

A The only one was that I went down there that one day where the --

Q Carl Nichol?

A Mr. Carl Nichol gave his brief on the impact of oil, that is the only time I was down, sir.

Q Have you heard anything about the so called "graded service areas"?

A No, I never heard them, I haven't studied any Calgary brief whatever.

Q Well, where you bring in or you may bring in agricultural areas within the city limits you have got the problem of assessing the agricultural areas in the city, haven't you?

A Well, we have already gone through that and I think it was solved very nicely by the Board of Public Utilities.

Q Yes.

A By making the statement and probably, I haven't seen it, but Mr. Garside would know, in the latest Order giving, taking that piece up to 50th Street in, Mr. Blackstock always used to make the proviso that until they were served with the amenities of the city, sewer and water and other facilities, that their taxes should remain on the same standards as agricultural land surrounding them.

Q Yes, we have a copy of that.

A A proper provision too, I think.

Q Well, in Calgary they have suggested what they call "graded service areas".

A Oh.

Q And they have an assessment of a certain rate on the area and an assessment on another rate in another area: now, the question was asked of them whether it would not be well to leave it as it is and let the assessing officials assess instead of setting up this "graded service area", now do you like the idea of setting up special areas for assessment purposes?

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A No, I wouldn't want any more "inner" and "outer" zones, I think we are too much bothered with them. This was the point, they were set at the time when they were, Mr. Carpenter I think was the chairman of the Utility Board in those days, and he set it at 20 mills in the "outer" zone with the provision that if they were more than at 80 acres your house was exempt also, but, unfortunately, that 20 mills persisted while all the neighborhood units all around Edmonton, Sturgeon and Scona and all the rest, had gone up to 40 and 50 mills, and it is quite a chore to keep getting Board Orders, having investigations as to whether the mill rate should go up every year or every two or three years. If you could get some more uniform system I would think it would be preferable.

Q Yes, you would leave it as it is, preferably?

A Yes, I think you could leave it to the discretion of assessors and to the good sense and the honor and the fairness of taxation.

Q Yes. Well, I am looking at the time, Mr. Chairman.

THE CHAIRMAN: Yes sir.

MR. ROBISON: And you may want to make some announcements or something.

THE CHAIRMAN: You want some more time? Would you be finished by 4:15 if we didn't --

MR. ROBISON: Oh, I think I am finished right now. I think I am finished right now.

THE CHAIRMAN: Yes.

MR. ROBISON: As a matter of fact, I have got a headache, but it is not Mr. Hodgson's fault.

THE CHAIRMAN: Mr. Hayes, you intimated if the other gentlemen didn't ask all the questions that you would conclude the examination.

COMMISSIONER HAYES EXAMINES THE WITNESS:

Q Yes, I had a couple of questions. Mr. Hodgson, you were here in the agricultural boom days and there were remarks that they were too optimistic, the city was too large, and the development didn't take place that was anticipated?

A True.

Q How long did it take Edmonton to get over that jolt?

A Well, they haven't got over it yet, it is, all those visions of being Chicago to-morrow, and they mentioned Chicago mostly the year I came to the city in '13, I suppose this City's biggest trouble has been too big an optimism, I could write a book on optimism that never came true, and it did, it was not the agricultural boom problem so much but it was the real estate boom that led to all that but agriculture as expressed by all our great hinterland here, I don't think that came into the picture, but I don't quite get the tenor of your question.

Q Well, it was all agricultural at that time, at least there was no oil?

A Oh, no, no, it was agricultural, and a little lumber.

Q Now there is oil, it is an oil boom now?

A Yes.

Q Now, you say they were too optimistic before; do you now say that they are just about right, they are not too optimistic now?

A Well, that is a great controversy, a great controversy I have had with my partner Menzies in the City Hall; he always wanted to say that we were never going to stop, I said that everything that goes up comes down and I says "I have had, I have had experience of three depressions and I say to you that this is not always going to be as it is now.". But to get some more light on that subject, I was talking the other night to a Deputy Minister of the Government who has a good knowledge of this Province and its industries, and I phoned him at his house and I said "I understand that you recently made, it came on the radio that you had made some remarks about this boom was going to continue forever.". "Well" he said "I was not quite as bad as that.". "Well" I said "What about getting down particularly to Edmonton.". I said "We have, well, here we have been going up, our population has been increasing all the time and I wonder when it is ever going to stop?". I said "Do you think it is likely to continue at this present rate in the foreseeable future?", and he said "Yes.", he says "I can see no diminution in the increase in population and the work around the Edmonton district for some years to come.". Now "some" means maybe three or four, it may be two or three or it may be half a dozen, I don't know. But he said "Don't sell it short.". He said "I don't think that pessimism will predominate here for quite sometime.".

Q Now, another remark you made was that possibly these industries, I think you made some reference that these were very profitable industries and would likely go

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Q (Cont.) up to \$450,000,000.00, was I right in tabulating that?

A What would go to four hundred and fifty?

Q The value of industries coming into this area?

A Oh, yes, yes, from a rough calculation. From a rough calculation I had made I just took as a basis the two big ones, the seventy eight and the twenty four, both taken from this transcript, there is one hundred and two million, and I added, they must have a great many millions in the Imperial Oil and the new Lube Plant and the McColl Frontenac and the B.A. and the Building Products and the C.I.L.; and then to my surprise I read in Mr. Adamson's report that they have got twenty five millions more and another two millions coming this year. Well, based on the remarks of the Vice-President of the Canadian Chemical, or rather the American Celanese, that gigantic corporation, he did give the viewpoint, and Mr. Curtis expressed it to me quite strongly that where industries does come in others comes also and he says "There's people will come and use our products and further refine them and you will find that if we spend fifty million another fifty million will come in."; so that if two hundred and twenty five million has come in I am expecting and I don't think it will be five or ten years before there is four hundred and fifty million.

Q Now, in view of that do you think it is fair to the surrounding municipalities that all that should come into the City of Edmonton?

A I would -- well, where else would it go, into a rural

...ation I have made
two big ones, the one
both taken from this
and two million,
many millions on
five and ten to ten.
... about five

A (Cont.) area when it is industry?

Q Well --

A What is a rural district formed for, to govern all the people there living rural lives or rather industrial lives?

Q Do you think that they have no ambition?

A They have got too much ambition, some of them.

Q Then your answer would be that you think it is fair?

A Yes, I think it would be a good thing to get four hundred and fifty million in there because all the time that is there our population will be very much greater than it is now, and it will help. You see, after all, sir, it will take another fifty million right now to put our assessment percentages in the same ratio as they were before oil, 55 - 45 and Toronto is 60 - 40 to this day, sir. It would take a great deal of assessment, but what I used to marvel at always was the small amount of assessment that we derived from such tremendous building programs. Now, last year in Edmonton our building permits were sixty eight million, the year before they were forty six, fifty five, but when you get down to what goes on the roll you might cut it in two, or take 60%. That is not what happens. First of all they take the average cost between '44 and '45, and that takes a tremendous amount off, and then you take 60% only, and by the time you are left you don't have one third of the assessment with the amount of business that is erected. Not one third, and that would apply out there, especially, and I am all in agreement with it, that some of them have to be helped along

the first thing I noticed when I stepped out
into the bright light was that I was
alone.

I have not seen much of the world since.

It was a long time ago, in a small town
in the mountains, that I met a man
who was like me. He was a stranger
to me, but he was a friend.
I will never forget him.

There was a time when I was
a young man, and I was
in love with a girl.

It was a long time ago, in a small town
in the mountains, that I met a man
who was like me. He was a stranger
to me, but he was a friend.
I will never forget him.

There is a lot of love in the world,
but it is not always easy to find.

and I am not a young man anymore.
I am old, and I am alone.
I am not a young man anymore.
I am old, and I am alone.
I am not a young man anymore.
I am old, and I am alone.

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A (Cont.) during the process when they are getting on their feet and establishing markets. I was very thunder-struck when I read in the transcript here that while the Canadian Celanese had spent \$78,000,000.00, that their products in the first year, and I can only assume that it was only part of it, part of the year, Mr. Brownlee, do you know -- it was only \$10.00 to \$15 million, less than one fifth of the capital investment. How different that was to the item in the Journal only last week where they gave a survey of the Swift Company at Chicago, which, of course, includes Swift Canadian of Canada, and out of a total capitalization there in plant of four hundred and three millions, their sales were two billion five hundred million, some six times, more than six times the cost of the plant to do the business in. Now, if you had to apply that standard to the Canadian Celanese, and I don't know whether the plant is capable of producing all these goods without enlargement, they would have, six times the cost of their plant, they would have four hundred and sixty million dollars, and I notice also that their total taxes were 1.03% of their sales.

Q Now, there is just one other point; we have figures that indicate that home owners in Edmonton, about 75% own their own homes in Edmonton and in Calgary 65.

A Yes.

Q Have you any comment as to why the percentage is larger in Edmonton?

A I can't tell the circumstances in there but we do,

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A (Cont.) you know, all the people who build houses in Edmonton, out of every hundred lots they get ninety five or six I would say from the city, and they knew that we gave a very favorable rate to home builders and we didn't charge them anything like what they had to pay if they had bought from a private party, they would charge them three or four times what we did, and I can only hope that it was due to the fact that there was a great prominence that came in here when the Government, the D.B.S. first took the survey, and they quoted the figures as Edmonton being the second in Canada; but there is one other big reason why I think we have got it, and I don't know why it should not apply in Calgary, Mr. Hayes, at all, and it was this, that people had to get a home over their heads, they came back from the war, these young people, and these young families, and they lived with their people, some of them, many of them, and which was not always the happiest condition, not the happiest condition with older people, but as many of them as could, and the only way they could get a roof over their head was to go and buy a house or build one but when N.H.A. made it so favorable that they could get it by putting, say, the gratuity that a soldier got or an airman when he came back from the front, many of them, a tremendous number of them, utilized their gratuity to put it down on a home, but I don't know why that reasoning should not apply in Calgary or Regina or anywhere else. It could not, of course, apply in Montreal where the ownership is only 10% and the renters are 90% because that is the basis on which

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John Hodgson - Hayes Ex.
Discussion at adjournment.

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A (Cont.) they live all their lives.

THE CHAIRMAN: Yes.

MR. BROWNLEE: Mr. Chairman, I am very much concerned to take up the Commission's time and to bring Mr. Hodgson back but there is one point I am very much concerned to try to clear up, and I don't know whether it can be done in one question or in two or three.

THE CHAIRMAN: Well --

MR. BROWNLEE: It has arisen out of the evidence this afternoon.

THE CHAIRMAN: Yes, Mr. Brownlee, I will defer answering until I ask Mr. Hodgson's plans.

A I can arrange to be here, sir, if it is convenient to you when you open to-morrow morning for an hour or two.

THE CHAIRMAN: Yes, well, we would be very grateful if you would do that and then if any other question arising we will be able to conclude.

A I will do it to oblige Mr. Brownlee, it is no inconvenience.

MR. BROWNLEE: I appreciate that, sir.

THE CHAIRMAN: Then, thank you very much, and we will adjourn at this time until 9:45 to-morrow morning, and conclude the cross-examination of Mr. Hodgson first thing, and then we will hear Mr. Leacock of the House Builders' Association.

(At this point the Commission adjourned
until 9:45 a.m. Wednesday, February 16th,
A.D. 1955.)

THE UNIVERSITY OF CHICAGO

1900

TO THE HONORABLE SENATE OF THE UNIVERSITY OF CHICAGO

IN RESPONSE TO A RESOLUTION PASSED MAY 1, 1900

BY THE SENATE OF THE UNIVERSITY OF CHICAGO

AND IN RESPONSE TO A RESOLUTION PASSED MAY 1, 1900

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